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## NEWS SUMMARY

### GENERAL

## Nuclear safety talks sought

**Chancelolr Helmut Schmidt of West Germany called for a conference on the safety of nuclear reactors as the country's biggest environmental group announced plans for anti-nuclear demonstrations in 11 European countries, including Britain, next month.**

The Chancellor's plea comes amid mounting controversy in Europe and the U.S. about the safety of nuclear power following the recent reactor accident in Pennsylvania.

In Scotland, about 10,000 demonstrators camped on the site of the proposed power station at Torness and in Washington at least 65,000 turned out at a protest march. Page 2

### Begin calls for Lebanon peace

Premier Menahem Begin of Israel invited the Lebanese Government to enter peace negotiations and called on Syrian peace-keeping forces to quit Lebanese territory immediately.

At the same time, he said Israel would continue to strike at Palestinian guerrillas based in Lebanon "to destroy them completely." Page 2

### U.S. aid claim

The Indian Government rejected demands in Parliament for an inquiry into allegations by former U.S. ambassador Daniel Moynihan that Mrs. Indira Gandhi and her Congress Party accepted money from the U.S. to fight Communists in state elections.

### Amin resistance

Tanzanian forces in Uganda have reached the Pakwach bridge, gateway to the native region of fugitive dictator Idi Amin, after meeting unexpected resistance from pro-Amin troops in two northern towns.

### SALT session

U.S. and Soviet negotiators met in Washington for what is expected to be the final full session on a new strategic arms limitation treaty. An announcement is expected later this week.

### Zanu boycott

The Rev. Ndabaningi Sithole and his 11 Zanu supporters in Rhodesia's new Parliament carried out their threat to boycott the first day's proceedings of the new House of Assembly.

### Auschwitz visit

Pope John Paul will visit the former Nazi concentration camps of Auschwitz and Birkenau during his historic trip to his native Poland next month.

### Murder search

Police launched a big search for a woman they believe may be able to help in the search for a man who killed teenagers Peter Thompson and Lorraine Underwood near Matlock, Derbyshire.

### Briefly . . .

Fire damaged Rome's century-old opera house, where a memorial concert for former Premier Aldo Moro is due to be staged.

North London gardener found two 50 lb first world war bombs and two live second world war bombs when planting potatoes.

London Festival Ballet left London for Peking, to become the first eWstern ballet company to tour Communist China in 25 years.

### BUSINESS

## Talks on clearing bank accounts

● **DEPARTMENT OF TRADE** is seeking a meeting with the big London clearing banks to discuss suggestions that the banks' accounts do not comply with Britain's Companies' Acts.

Officials are said to take a serious view of claims by some chartered accountants that the banks' general bad debt provisions are in reality reserves, and part of shareholders' funds. Back Page

● **WEST GERMAN** Cartel office says it suspects that the three leading German banks have reached an understanding to delay increasing interest rates for savings deposits until several weeks after raising interest charges for loans. Page 2

● **TEN** more people have been charged in France in connection with the fraud scandal at Credit Lyonnais, the state-owned bank. Some FFr 37m ($8.5m) disappeared in the bank's operations on the London and other overseas stock markets. Page 2

● **HOPES OF** rapid renegotiation of the double tax agreement between Nigeria and Britain, both major trading partners, appear dashed. Nigeria revoked all tax agreements from April 1 and Inland Revenue talks to get new agreements have been broken off without resolution. Back Page

● **MAINSTREAM** corporation tax payments last financial year rose by nearly a fifth to £2.5bn. This is the first time the Government has disclosed an up-to-date figure for direct tax on undistributed company profits. Back Page

● **ESSO PETROLEUM** the UK subsidiary of Exxon, is planning capital expenditure of more than £370m a year for the next three years, with the bulk of the investment going to the North Sea. Back Page

● **CUMMINS** diesel engine group of the U.S. plans to share $220m worth of investment between its British plants, which will put the company's new 10-litre diesel engine on the European and U.S. markets by the early 1980s. Back Page

● **TALKS** between BL Cars and Honda of Japan to produce a new car for sale in Europe are progressing well. BL believes the link with Honda will not prejudice co-operation with other manufacturers in future model projects. Back Page

● **LUCAS** Industries and its French competitor, Ferodo, are to join legal battle once more following Ferodo's announcement that it will appeal against the court decision in favour of Lucas over the future of the French electrical parts producer, Ducellier. Page 31

### LABOUR

● **INTERNATIONAL NICKEL's** eight-month strike at its Sudbury mine in Canada has been settled. The strike led to sharply reduced nickel stocks and higher prices. Back Page

● **FARM WORKERS** have warned that when they submit their pay claim in September they will be seeking £100 per week, a 35-hour week and a fourth week's annual holiday. Page 7

● **TEXTILE UNION,** the National Union of Dyers, Bleachers and Textile Workers, broke its own rules when it expelled a member involved in one of Britain's longest and bitterest closed shop disputes, an independent committee has judged. Page 7

● **WALL STREET** was 11.17 down at 836.37, just before the close.

## CONTENTS



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**Caution over union reform—and some good news for the Chancellor**

# Tax cuts priority for new Government

BY RICHARD EVANS, LOBBY EDITOR

THE OVERRIDING priority of the Government chosen by Mrs. Margaret Thatcher at the weekend will be introduction of the fiscal and monetary reforms promised during the election campaign, particularly an initial cut in direct taxation in the forthcoming Budget.

But the early indications are that the Government intends to proceed with the utmost caution on the other main elements of the Conservatives' election platform, including reform of trade union law and a radical change in policy toward industry.

Both the composition of Mrs. Thatcher's first Government and the Prime Minister's own innate caution suggest that there will be no flood of contentious legislation in the Queen's Speech next Tuesday. The contents of this will be drafted at Cabinet meetings this afternoon and on Thursday.

Instead, extended consultations will be launched by Mr. James Prior, Secretary for Employment, with both sides of industry on proposed reform of trade union law, and legislation is unlikely this year.

A much more urgent priority for Mr. Prior and other Ministers will be to tackle the residual pay problems left by the outgoing Government, including claims by teachers, doctors and power workers.

These, together with comparability awards in the public sector, form major hurdles ahead for the new Government which cannot be dodged. They could be the first major testing ground.

Undoubtedly the most difficult decision Mrs. Thatcher had to make in forming her Government was the rejection of the claims of Mr. Edward Heath, the former Prime Minister.

But his exclusion is unlikely to affect the unity of the Cabinet because of the presence of so many former Heath supporters, including Mr. William Whitelaw, Lord Carrington, Mr. Prior and Mr. Peter Walker.

The balance of both the Cabinet and the rest of the Government announced on Sunday and yesterday shows that the Premier has chosen a team much more representative of the Left and Centre of the party than had been anticipated.

This could create criticism from some of Mrs. Thatcher's closest supporters, who were expecting a much more radical team.

the Right.

Otherwise the senior appointments were much as expected, with Mr. Whitelaw as Home Secretary and deputy Prime Minister; Sir Geoffrey Howe as Chancellor; Lord Carrington as Foreign Secretary; and Sir Keith Joseph as Industry Secretary.

The major promotions to the front rank of politics are Mr. David Howell as Energy Secretary and Mr. Michael Jopling as Chief Whip.

Among the middle-rank posts announced were Mr. Nigel Lawson as Financial Secretary and Mr. Peter Rees and Lord Cockfield as Treasury Ministers of State; Mr. Adam Butler as Minister of State for Industry, Mr. Cecil Parkinson as Minister of State for Trade, and Mr. Reg Prentice, former Labour Cabinet Minister, as Minister responsible for the disabled.

A newcomer to Government is Mr. Irwin Bellow, a businessman and Leeds councillor, who becomes a Parliamentary Under-Secretary at the Department of the Environment. He will become a life peer and specialise in housing, having masterminded a particularly successful sale of council houses in Leeds.

Although attention will inevitably be concentrated this week on the incoming Government, there is an important meeting of the Parliamentary Labour Party at Westminster tomorrow where the inquest will begin into the party's election defeat.

Mr. James Callaghan is certain to be re-elected as party Leader, in all probability unopposed, but there are already signs of criticism of his failure to go to the country last autumn, and of his insistence on sticking to the rigid 5 per cent pay norm.

● West German Chancellor Helmut Schmidt to visit London on Thursday and Friday

Profiles of new Ministers Page 6 ● Editorial comment and Men and Matters Page 16
Mrs. Thatcher's Cabinet Page 29

# Signs of recovery in economy

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

SIR GEOFFREY HOWE, the new Chancellor of the Exchequer, will start his first full day at the Treasury today faced with growing evidence of an upturn in the level of economic activity.

An improvement in orders for industry is indicated by the Financial Times survey of business opinion published this morning. This is expected tentatively to be supported by the Confederation of British Industry quarterly industrial trends survey on Thursday.

But the FT survey and reports coming into the CBI both suggest that there is uncertainty about how far the pick-up merely represents a recovery from the impact of the industrial disputes and bad weather of the winter.

Hence, there are considerable doubts about how far there has been a real pick-up in demand and whether any upturn will be sustained.

The CBI survey is also likely to show concern about the impact of the winter disputes upon costs. Price rises are becoming more frequent and there are increasing worries about the pice competitiveness of exports.

The Treasury view is that in spite of a short-term stimulus to demand in the spring and early summer, the growth of total output this year is likely to be nearer 2 per cent than the 3 per cent rise in 1978 over the previous year.

This is partly because of the deterioration in the prospects for world trade after the rise in oil prices, but it also reflects a slower expected growth in real incomes in the UK.

Sir Geoffrey has spent the last two days reading several large Treasury briefs and submissions on the state of the economy, the Budget options, public spending and exchange rate and monetary policy. Unlike several of his ministerial colleagues, he has made no public statement since becoming Chancellor.

He has already spoken to Sir Douglas Wass, the Permanent Secretary of the Treasury, but his main official introductions will be today.

The first main decision is the choice of Budget day. A full Budget could be prepared by late May but only with considerable inconvenience. The official preference is likely to be for next month—probably June 12.

The main argument for an earlier date is to allow any increase in indirect taxes to take effect sooner, providing more revenue in 1979-80. This might also limit the scale of any pre-Budget spending spree.

Once the Budget date has been decided, the Cabinet will have to determine the scope and timetable for the expected review of public spending plans. In addition, Sir Geoffrey will have submissions from both the Treasury and the Bank of England on the new monetary target and on possible relaxations of exchange controls.

FT Survey of Business Opinion Page 9

# North Sea oil aid 'illegal' and must stop says EEC

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT IN BRUSSELS

THE EUROPEAN Commission has told the British Government that its policy of offering preferential interest relief grants to UK suppliers of offshore oil and gas equipment for the North Sea is illegal and must be changed.

It has given the Government two months to amend the scheme.

This was disclosed in Brussels yesterday by M. Raymond Vouel, the Commissioner for Competition Policy. The Commission had formally notified the Government on Wednesday, the eve of the general election of its decision to outlaw the scheme.

The timing of the move has surprised observers in Brussels. The Commission has been urging the UK to amend the scheme for more than three years and might have been expected to give a newly-elected British Government the chance to take a fresh look at the scheme for itself, before ordering that it be changed.

The commission's challenge is also seen as an early test of the Conservative Government's willingness to take a more conciliatory attitude towards EEC issues than its Labour predecessor and, in particular, than Mr. Anthony Wedgwood Benn, the former Energy Secretary.

Mr. Benn, fiercely resisted any attempt by Brussels to intervene in North Sea policy. One reason why the commission did not act against the scheme before was apparently because it was scared that Mr. Benn would use the issue to attack the EEC.

The commission has ruled that the relief grants violate the Rome Treaty because they are available only to British suppliers and discriminate against competitors elsewhere in the Community.

The grants reduce the cost of credit to finance the supply of goods and services to companies developing UK offshore oil and gas resources.

According to M. Vouel, Mr. Benn had reluctantly offered to extend the grants to 50 per cent of supplies procured from other parts of the EEC.

That was rejected by the Commission on the grounds that the scheme involved a principle on which there could be no compromise.

The commission clearly hopes that the new Conservative Government will prove readier to adjust the policy but, if it refuses to do so, it could be taken to the European Court of Justice for violating the treaty.

The commission is also examining critically several other aspects of British North Sea policy which it believes may infringe EEC competition rules. But it appears in less of a hurry to act on these.

The principle areas under study include the Government's insistence that all North Sea oil must be landed on UK territory unless a special waiver is given by the Energy Secretary and its policy of giving UK suppliers "full and fair opportunity" to compete for offshore business.

The commission believes that the later policy may in practice give British suppliers an unfair competitive advantage.

In addition, the commission is understood to be seeking to determine whether the UK discriminates against foreign oil companies by insisting that they must set up subsidiaries in Britain if they have North Sea interests.

It is also examining certain aspects of the operations of the British National Oil Corporation.

# IMF and World Bank face strikes by staff

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

THE PROTRACTED dispute over a pay rise for the staffs of the International Monetary Fund and the World Bank is on the verge of leading to strikes at both institutions.

The dispute is also intruding into international financial talks. Next week's meeting in Paris of the deputy finance ministers of the Group of Ten leading industrial nations will consider it and try to find the political compromises needed to defuse the situation.

Last Friday, the IMF Staff Association voted overwhelmingly to hold a strike referendum today. The resolution calls for a "major strike action" if the IMF board fails to give a real pay award from May 21.

M. Jacques de Larosiere, the IMF managing director, who left at the weekend for the UNCTAD meeting in Manila, has given his board two weeks to settle outstanding disagreements.

He is understood to have indicated to the two main parties in the debate—the U.S. Treasury and some of the European countries, notably Germany—that he will resign if the matter is not speedily settled, though this is denied by his close associates.

The IMF executive directors have failed to agree on a compromise formula put forward by M. de Larosiere largely based on the special Kafka Committee report but containing some concessions to the European view that staff salaries were slipping below international standards.

# Socialists win in Austria

BY PAUL LENDVAI IN VIENNA

DR. BRUNO KREISKY, the Austrian Socialist leader and Federal Chancellor, scored his biggest-ever electoral victory in Sunday's general election, retaining his absolute majority in Parliament and increasing his party's seats by three to 96.

This is his fourth consecutive electoral triumph since 1970, and the third time that the Socialist Party has captured an absolute majority of both votes and Parliamentary seats.

The 68-year-old Chancellor is now set for four more years of power as his party's undisputed leader, upsetting all previous predictions.

Dr. Kreisky shrugged off last November's defeat for his Government in the referendum about commissioning Austria's first nuclear plant, and the setback in the Viennese municipal elections.

The Government was further weakened by personal infighting in the Socialist Party and by corruption scandals, leading to predictions that Dr. Kreisky would lose his absolute majority in Parliament.

Dr. Kreisky's victory is likely to provoke a leadership crisis in the People's Party, the main Opposition party.

Dr. Kreisky announced at the Socialist executive committee meeting that he would discuss his future policy plans, including a Government reshuffle, on June 6.

He made clear that he had no intention of dropping Dr. Hannes Androsch, his controversial Finance Minister and Vice-Chancellor. The present team would prepare the 1980 Budget. The full-scale reshuffle would probably be in the autumn.

Dr. Josef Taus, People's Party leader, whose party lost four of its 80 seats, called for an early party congress to review the causes of the defeat.

The small Freedom Party increased its strength by one seat. The new Parliament will have 96 Socialists out of a total of 183; the People's Party 76; and the Freedom Party 11.

Editorial comment Page 16

# Japan may lend China $2bn

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

CHINA IS expected to sign a $2bn syndicated loan agreement with a consortium of 22 Japanese banks during a visit to Tokyo by a mission from the Bank of China which begins next week. The mission, led by Mr. Bu Ming, vice-chairman and general manager of the bank, will arrive on Monday and stay about 10 days.

Negotiations on a Japanese syndicated loan to China began in earnest when a Bank of China delegation visited Tokyo last February. The basic terms of the loan, including a 0.5 per cent margin over London Euro-dollar rates (LIBOR) and a 4½ year repayment period, are believed to have been agreed so that only details remain to be settled.

Negotiations on two other Japanese loan proposals, both involving the State-owned Export-Import Bank will also be held during the mission's visit but may not reach a conclusion.

One of these proposals is for deferred payment financing of Japanese plant exports to be backed by a combination of Japanese Ex-Im Bank yen loans and commercial bank foreign currency loans (to the Japanese exporters). The other is for yen-denominated "development" loans to help China develop oil and coal resources.

The Japanese Ex-Im Bank apparently sees the development loan as being untied, or available for use on the purchase of non-Japanese equipment. It therefore falls outside the scope of the OECD "gentleman's agreement" which sets floor levels for the interest rates on long-term export financing loans extended to developing countries.

This position has been challenged by the U.S. but Japan appears to be hoping to surmount American opposition to its plans by persuading the U.S. to enter into a joint venture relationship with Japan and China for the development of Chinese resources.

The development loan proposal faces another major obstacle in the shape of Chinese reluctance to borrow in yen—a currency which the Chinese are apparently convinced will tend to appreciate against the dollar.

An Ex-Im Bank official said the bank had "insisted" on confining its talks with China to yen financing.

# Schmidt call for conference on nuclear safety

BY DAVID FISHLOCK, SCIENCE EDITOR

HERR HELMUT SCHMIDT, the West German Chancellor, called yesterday here in Hamburg for a conference sponsored by the governments of nuclear nations—including the Communist countries—on the safety of nuclear reactors.

Herr Schmidt, who was opening the European Nuclear Conference said nuclear safety, is a goal just as ambitious as the International Nuclear Fuel Cycle Evaluation in which over 50 nations were participating.

The conference programme has already been rearranged to include a session on Wednesday investigating the recent U.S. reactor accident on Three Mile Island and its lessons for the nuclear power industry.

President Carter, in a message read to the conference, stressed that the U.S. Government was keenly aware of the energy security worries of other countries, and reaffirmed its pledge to be a dependable supplier of nuclear technology and services.

Herr Schmidt, in a forthright declaration of faith in nuclear power, made several oblique references to the failure of the U.S. administration to understand past international policies on the prevention of proliferation.

He had no doubt nuclear energy must be maintained, as an energy option, he said. No industrial country, of the West or the East, could afford to discard nuclear or any other available source of energy.

He also stressed that the German Government would be pressing ahead with plans to reprocess spent nuclear fuel *and to store radioactive waste.*

He was applauded when he said that the U.S. accident was probably fortuitous in that it would make people think about safety on a more profound and a world level.

# Carter faces N-protests

BY DAVID BUCHAN IN WASHINGTON

*PRESIDENT CARTER* looks likely to face strong political opposition in next year's election campaign from a broad, and apparently growing, anti-nuclear power front, which organised at least 65,000 people to take part in a protest march here on Sunday. It was the biggest rally against nuclear power to be seen in the U.S. and reminiscent of the anti-Vietnam marches at the start of the 1970s.

*Rally organisers* put the number of marchers at about 125,000, twice the police estimate. Capitalising on public anxieties about nuclear safety in the wake of the Pennsylvania reactor accident six weeks ago, they called for the shutdown of nuclear generator and the resignation of Mr. James Schlesinger, the Energy Secretary.

Governor Jerry Brown of California, the only major politician invited to speak at the rally called nuclear power "a pathological addition; storing up for generations evils and risks that the human mind can barely grasp."

Other speakers at the rally included Mr. Ralph Nader, the consumer advocate, and Miss Jane Fonda, the star of the recent hit film "The China Syndrome" about a fictious nuclear accident.

Meanwhile, Reuter reports that opponents of nuclear energy are to hold demonstrations in 11 European countries next Sunday. West Germany's biggest environmental group said the protests would take place in West Germany, France, Britain, Sweden, Finland, the Netherlands, Belgium, Luxembourg, Italy, Spain and Switzerland.

# Shell joins study of Qatar gas field

By Kathleen Bishtawi in Doha

**QATAR HAS taken the first steps towards development of its North-West Dome gas field with the announcement yesterday by Mr. Ali Jaidah, general manager of the Qatar General *Petroleum Corporation*, that a joint study is to be carried out with Shell.**

**The field has been compared in potential with Holland's Groningen field. Proven reserves are 31 trillion (million million) cubic feet though some industry estimates put them at up to 100 trillion cubic feet.**

**Shell has already outlined in general terms the possibilities for liquid natural gas *and associated industries.* Qatar is already spending about $2.3bn on the creation of heavy industries to use its existing gas resources.**

**Mr. Jaidah emphasised that matters were at a very early stage and that further studies would be commissioned from other companies. He estimated that about $1bn would be needed to develop the field, another $1bn to build LNG trains and a further $1bn for shipping facilities.**

**One industry informant suggested that the total figure of $3bn was already a year old and that probable costs by the time construction work actually begins, would be much greater.**

**The joint study with Shell is not likely to be complete for at least a year. Mr. Jaidah said. He added that, before the field could be exploited, gas prices would have to rise.**

**Mr. Jaidah said that it was likely that the Government would absorb some foreign shareholders in a joint venture to develop the North-West Field, probably with a state shareholding of not less than 70 per cent. Qatar hoped to raise finance for the development from suppliers' credits and such organisations as the U.S. Export-Import Bank.**

# Unauthorised Iran bank loans come under fire

BY SIMON HENDERSON IN TEHRAN

THE CENTRAL BANK of Iran says it does not consider itself committed to help foreign banks which have made loans without its permission to Iranian banks now facing difficulties.

Mr. Mohammed Ali Mowlavi, the Bank's governor, said this week-end that there are one or two Iranian banks which have received *such loans* and *are now* in trouble because of interference in their management by revolutionary workers' committees.

He did not name the Iranian banks concerned or the foreign banks which have made loans to them. The loans are believed to have been before the February revolution which overthrew the Shah's regime.

Iran's foreign exchange reserves were revealed as $10.4bn, a reduction of $400m on the *figure two months ago.* Following the revival of oil exports in March the first $600m in receipts had arrived and henceforth the future monthly income from oil would be $1.4bn, Mr. Mowlavi said, in a wide-ranging Press conference on the broad lines of the Government's economic priorities.

Mr. Mowlavi said that the Provisional Revolutionary Government would devote its energies to economic growth and the creation of jobs, dealing afterwards with the increases in *inflation that the new growth* might cause.

"We are not worried by inflation," he commented. "We are going to have economic growth even if it causes some inflation." Mr. Mowlavi was not able to give a figure for present inflation but in 1977-78 the figure was estimated to be over 30 per cent. Creating new jobs has become a major concern for the new government as several protest marches by the unemployed have taken place.

The large *construction* industry is at a standstill and many factories have had to close or go on part-time working. Unemployment is very roughly estimated at between 3.5 and 4 million out of a labour force of 10 million.

The central bank has already made available Rials 5bn ($70m) to industries that had stopped work. The money would mainly be used to cover workers' back pay and to purchase raw materials.

In addition Mr. Mowlavi said another Rials 20bn ($280m) *was given*
was to be given to needy industrialists immediately and there would be a reserve of a further Rials 20bn. Loans to industry would be at a rate of 6 per cent.

The bank is also to provide Rials 17bn ($240m) to the Housing Ministry to complete projects already started and Rials 10bn ($140m) was to be given to the Agricultural Development Bank for loans to the farmer at an interest rate *of 4 per cent.*

Guarantees on letters of credit were also being abolished by the bank provided the amount of credit did not exceed that of last year.

# Begin plea for peace with Beirut

BY DAVID LENNON IN TEL AVIV

ISRAEL called on the Lebanese Government yesterday to enter into peace negotiations as Israeli aircraft attacked suspected Palestinian bases in Lebanon for the second successive day.

Mr. Menahen Begin, the Israeli Prime Minister, invited President Elias Sarkis of Lebanon to meet him in Jerusalem, Beirut, or at a neutral site to negotiate a peace agreement. The Israeli leader said peace could be achieved in a *matter of days as neither* country had any territorial claim on the other.

Opening the summer session of the Knesset, Mr. Begin said Israel would wage an unrelenting war of attrition against the Palestinian guerrilla organisations based in Lebanon. "We won't let them rest. We know where their headquarters, their artillery and their armouries are. We will attack them, with all our force from the sea, the air, and on the land in order to destroy them."

Mr. Begin went on to describe the guerrillas as enemies of humanity who were commanded by "the Palestinian Idi Amin—Yassir Arafat."

He said that Lebanon could not absorb, what he described as, the 165,000 Palestinian refugees who had not been rehabilitated. He suggested that Syria, Iraq, Libya and Saudi Arabia, should take them in and promised that Israel would help in their resettlement. He avoided any mention of the possible return of some of the refugees to their former homes in Israel.

Mr. Begin also demanded that Syria should withdraw its forces from Lebanon and said that Israel would continue to expand its aid to the Lebanese Christians both in the North and the South.

# Namibia verdict delivered

BY QUENTIN PEEL IN CAPE TOWN

SOUTH AFRICA'S response to the United Nations' proposals *for a ceasefire and elections in* Namibia (South West Africa) was yesterday handed over in Cape Town to envoys of the five Western members of the *Security Council. It is expected* to amount to rejection of the latest terms.

Observers now expect South Africa to back the move to create a national assembly in the territory, proposed by the Democratic Turnhalle Alliance, but to stop short of granting executive authority to the body.

Setting up a national assembly would be a clear step towards granting independence to Namibia without UN-supervised elections and therefore without the involvement of the South West Africa People's Organisation (SWAPO), the major black nationalist movement.

**Tony Hawkins reports from Salisbury:** The Reverand Ndabaningi Sithole and the other 11 ZANU MPs in Rhodesia's new House of Assembly boycotted the first day's proceedings yesterday.

Lawyers for the party are working on a petition to the High Court listing allegations of gross irregularities in the elections last month.

# Katmandu student march

BY CHRIS SHERWELL IN KATMANDU

HUNDREDS OF Nepali students marched through the narrow streets in the heart of this ancient city yesterday shouting slogans of solidarity and demonstrating their antipathy toward the Government.

Exotic temples and Katmandu's famous old palace *echoed to their demands. By the* end of the hour-long demonstration the crowd had swelled to thousands, with tourists and hippies watching interestedly.

Truckloads of maroon-bereted police carrying large sticks stood by, apparently under orders not to intervene. Despite the almost carnival atmosphere the students were worried and nervous.

The Government has angrily denied reports from India that 32 people have died and between 4,000 and 7,000 others have been arrested in the past month of disturbances.

Mr. Jacadish Jha, the newly-appointed Minister of Education, said in a statement that three people, none of them *students, had died as a result of* police shooting. Of the 224 people arrested, 160 had been released he said.

Independent estimates put the figures higher but it is impossible to confirm this. It is clear, however, that the Government of this mountain kingdom is facing a serious challenge to its authority, even though a new Cabinet was appointed only last month.

# OECD Ministers debate anti-pollution measures

BY ROBERT MAUTHNER IN PARIS

BETTER co-ordination of measures against pollution is being considered by Environment Ministers from the 24 member countries of the Organisation for Economic Co-operation and Development, who began a two-day meeting in Paris yesterday.

The talks centre on a report published by the OECD secretariat, which says that, even assuming a slower growth rate than expected earlier the environment will come under heavy pressure in the years ahead.

Average annual growth rate for the area of 3 per cent from 1978 to 1985 would lead to a 23 per cent increase in industrial pollution. A 4.5 per cent rise in gross national product would imply a pollution increase of 36 per cent.

Mr. Emile van Lennep, OECD secretary-general, told the meeting that environmental policies could no longer be *limited* to a rearguard action, dealing with problems after they had arisen. Policies had to become anticipatory. There was also an urgent need for closer integration of environmental with economic industrial, energy and transport policies.

Mr. Douglas Costle, administrator of the U.S. Environmental Protection Agency, said the Western industrial countries should adopt the concept of "qualitative growth" as their *guiding principle* for the 1980s. That should take into account the finite nature of natural resources and the limited capacity of natural systems to recover from chronic damage.

Among specific problems to be discussed by the Ministers are the implications of the substitution of coal for oil in many power stations. The increased use of coal in the U.S., West Germany and Britain will raise the level of pollution considerably and the Ministers may *adopt international guidelines* in this field.

# UNCTAD V begins

BY PHILIP BOWRING IN MANILA

THE FIFTH United Nations Conference on Trade and Development (UNCTAD) opened here yesterday with pleas for urgent compromise rather than confrontation between rich and poor to spread wealth more evenly round the globe.

Delegates to the 159-member conference were warned that time was running out in the quest for a new international economic order to raise living standards in the developing world.

Of the items on the agenda, Dr. Kurt Waldheim UN Secretary General, singled out protectionism. He said short-term action was needed to establish new principals to govern the imposition of restrictions on exports of developing nations. For the longer term there was a need for industrial adjustment within a framework of internationally accepted guidelines.

The conference was opened by President Ferdinand Marcos of the Philippines. President Marcos urged a "momentum of action" to achieve a new economic order. "The rich can wait, the powerful can wait . . . but the starving masses of the Third World cannot wait upon quibbles, reservations and further studies," he said.

Feature Page 16

# Gulf states split currencies

**The Gulf state of Qatar yesterday decided to break *away from the monetary union* linking its exchange rate to the Bahrain and UAE currencies, Kathy Bishtawi writes from Doha. For the past three years, the currencies of the three countries have been interchangeable and each state has consulted the other on revaluations. But yesterday Qatar opted for a 2 per cent revaluation of its riyal against the U.S. dollar, the new rate being 3.7635p to the dollar.**

**No similar revaluations appeared to be planned by the UAE Currency Board or the Bahrain Monetary Agency. The three countries were at one time considering a common currency.**

## French bank scandal

**A further 10 people have been charged in connection with the fraud scandal at Credit Lyonnais, in which FFr 37m (over £4m) disappeared in the bank's operations on the London and other overseas stock markets, David White writes from Paris.**

## Libya broadcasts end

**Libya's radio station in Malta has been shut down on the instructions of Premier Dom Mintoff's government, Godfrey Grima reports from Valletta. The Maltese government appears to have been unhappy with the war of words waged by the station against Egypt *and Israel.***

## Ex-police chief shot

**Sr. Emilio Rodriguez Roman, a former chief of Spain's police, was shot and wounded in Madrid yesterday, on the day that the Spanish Interior Ministry began a law and order drive by transferring an extra 3,000 paramilitary police to the city from neighbouring areas, David Gardner reports from the Spanish Capital.**

## Soviet media move

**The Soviet authorities have ordered a major effort to improve the country's propaganda apparatus and the quality of the controlled press, David Satter reports from Moscow.**

# Cartel quiz for German bankers

By Leslie Colitt in Berlin

WEST GERMANY'S Cartel Office has asked the three leading German banks to explain why they did not increase interest rates for savings deposits until several weeks after raising interest charges for loans.

The office, an agency of the Economics Ministry, has asked Deutsche Bank, Dresdner Bank and Commerzbank to send the member of the board of the directors responsible for the decision to Berlin on Thursday.

This is the first time the Cartel Office in Berlin has suggested that West Germany's major banks might have violated cartel law. Recently Count Otto Lambsdorff, the Economics Minister, said the German banks would be well advised to divest themselves of their massive industrial holdings if they were not to be forced to do so by law.

A Cartel Office spokesman said that the *three banks* increased their charges for loans at the beginning of April but did not raise interest for deposits until mid-April.

# U.S.-Turkey monitoring talks

By Metin Munir in Ankara

MR. WARREN CHRISTOPHER, the U.S. Deputy Secretary of *State, arrived here yesterday* afternoon to seek increased Turkish co-operation to enable the Americans to monitor Soviet weapon tests, senior officials said.

Following the loss of two vital CIA listening posts in Northern Iran, such co-operation from Ankara would enable reliable monitoring of Soviet nuclear capability.

Mr. Bulent Ecevit's government is committed not to allow the Americans to expand their bases in Turkey. But it seems likely that the Americans may seek permission for flights by U.S. spy planes

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The Jobs Column and Appointments Advertising including "£6,000-£9,000 Accountancy Appointments" does not appear in today's issue owing to pressure on space caused by coverage of the election.

The £6,000-£9,000 Accountancy Appointments section which would normally have appeared today, will appear instead on Thursday.

# WORLD TRADE NEWS

## Belgium wins $267m E. German contract

BRUSSELS—A consortium led by the Belgian Steel company Cockerill will build a $267m steel laminating and cutting plant in Saalfield, East Germany. Construction of the facility in the Thuringe region southwest of Leipzig would begin "immediately."

The consortium includes the electrical appliance company ACEC, the construction companies Verbeeck and Enterprise CFE, and the utility company Traction et Electricite, as well as the West German company Schloemann. "The plant should be ready to operate in two years and will have a capacity of 770,000 tons a year," Cockerill said.

The agreement was concluded last March after three years of negotiations between Cockerill and the East German Government.

Cockerill President Baron Clerdent and East German Head of State Erich Honecker finalised the talks at a meeting at a Leipzig fair two months ago, he said.

## Freight markets stable

BY OUR SHIPPING CORRESPONDENT

A SATISFYING air of stability has descended upon most freight markets in the last few weeks.

The best evidence of this is the increasing willingness of charterers to consider period charter commitments rather than enjoying, at shipowners' expense, depressed spot markets.

Last week, Exxon fixed an 88,000 dwt tanker, suitable for U.S. trades, and for delivery in October, 1980, at the equivalent of Worldscale 81 for a ten-year period.

This is indicative of the shortage of this class of tonnage. Spot rates for 80,000-tonnes have doubled to WS180 for the Gulf-East voyage since December.

A number of owners have either ordered or plan to order tonnage in this class, so the market is unlikely to last, meaning that owners and charterers are fencing for the right moment at which to agree to period business.

Broker Galbraith Wrightson predicts that the volume of timecharter and consecutive voyage business for tankers will continue to increase as trading conditions improve.

There was little movement in freights last week, which was affected in many parts of the world by May Day holidays.

## EEC seeks consensus on Japan trade

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT IN BRUSSELS

SENIOR OFFICIALS of the European Commission and the Japanese Government embark this week on a series of intensive negotiations intended both to prepare for the world economic summit in Tokyo late next month and, more specifically, to define the position which the EEC should adopt there towards its future trade relations with Japan.

How far EEC governments would be prepared to endorse an energetic new campaign to extract further trade concessions from the Japanese should become clearer today when Foreign Ministers of the Nine meet in Brussels. No British ministers will be attending the meeting, however.

The Danish Government has asked for Japanese relations to be placed in the agenda because it is disturbed by the increasingly bellicose attitude which the European Commission appears to be taking towards the problem.

The Danes are understood to be particularly upset by a recent working paper written by Sir Roy Denman, the Commission's Director-General for External Affairs, which suggested that the EEC might have to consider retaliatory curbs on Japanese exports later this year unless more progress was made in correcting its bilateral trade deficit of more than $6bn last year.

The Danish Foreign Minister, Mr. Henning Christophersen, was meeting Mr. Roy Jenkins, the Commission President, to discuss the matter yesterday evening. Mr. Christophersen no doubt hopes that he can win support today for a more conciliatory approach from traditional free trade advocates like Germany and the Netherlands.

While the council's outcome is unlikely to be conclusive, it may well influence the position taken by Sir Roy Denman when he meets senior Japanese officials in Tokyo at the end of this week to assess developments in bilateral relations.

He is expected to emphasise that the EEC is still not satisfied by the steps taken by Japan so far to improve market access for European exports of manufactured goods and to ensure a sustained growth of its domestic demand.

He may also sound out the possibility of promoting greater industrial co-operation between European and Japanese companies and press Japan to expand development aid spending.

Officials in Brussels are particularly concerned by evidence that the Ohira Government is far readier to make trade and economic concessions to the United States than to the Community. This point seemed certain to be made to Mr. Yasukawa, Japan's Ambassador to the EEC, who was briefing the Commission yesterady on the most recent round of talks between the U.S. and Japan.

In addition to these meetings, M. Francois-Xavier Ortoli, the Commissioner for Economic and Monetary Affairs, began an official visit to Tokyo yesterday. This is expected to be followed shortly by visits by Viscount Etienne Davignon and M. Claude Cheysson, the Commissioners responsible for industry and development respectively.

## U.S. urged to act on non-tariff barriers

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

THE U.S. should stop thinking that its Japanese trade problem can be solved by the creation of "high level static" about a few politically sensitive items such as oranges and telephone equipment, and start applying sustained and patient pressure for the removal of Japanese non-tariff barriers.

This is the opinion of the American Chamber of Commerce in Japan as set out in a highly persuasive "White Paper" on the U.S.-Japan trade in balance.

The Chamber avoids putting all the blame on Japan for the existence of the imbalance (now running at six times the size of the U.S. deficit with West Germany). It does, however, offer what may be one of the most comprehensive and best documented lists of Japanese tariff barriers yet to have been made public.

The Chamber says that Japanese import quotas, though a problem in the past, are now at reasonable levels although problems do exist in discovering how quotas for some items have been allocated amongst Japanese importers.

Government procurement rules, on the other hand, are seen as highly restrictive, not least because of the "oral, informal or vague standards" which control their application.

New guidelines on government procurement which were introduced last year with the object of "opening up" the system do not apply, the Chamber notes, to more than 140 semi-governmental institutions including Japan National Railways and the state telephone corporation (NTT).

The chamber pinpoints standards and approval processes as another major type of non-tariff barrier. "Voluntary" standards, indicating good quality or workmanship which are awarded by the Japan Industrial Standards Committee, are not available for foreign products (although similar "quality marks" in the U.S. can be awarded to imported products).

Compulsory standards are decided upon by mixed committees of officials and representatives of Japanese private industry on which foreign businessmen are not represented.

The application of standards is, in the Chamber's words "highly judgmental" (that is, different officials may interpret the same standard with different degrees of severity). Standards also tend to be enforced more strictly on foreign goods.

An additional problem related to standards is that the exporter must apply for approval through his Japanese agent who then becomes the holder of the approval permit.

## Air France to spend £1.1bn on aircraft

PARIS—The French state-run airline, Air France, intends to spend FFr 10bn (£1.12bn) between 1981-83 on updating its fleet, compared with expenditure of FFr 6bn between 1978-80.

Air France's president, M. Pierre Giraudet, said over the week-end that the company was studying the possibility of working out an agreement with the French Government whereby it would take delivery of two additional Concorde supersonic airliners for a nominal fee, bringing its fleet of Concordes to six.

Air France will have phased out its fleet of ageing Caravelles by 1981 and its Boeing 707s a year later, M. Giraudet said, adding that the company will then be operating only three types of plane—Boeing 727s and 747s, and A300 and A310 Airbuses.

M. Giraudet added the expansion of its fleet could involve orders for ten more Boeing 727s, 30 Boeing 747s and about 40 Airbuses.

AP-DJ

## Boeing increases output

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING of the U.S. is increasing the production rate of its jet airliners from 19 to 24 a month, and expects to raise it further to 28 jets a month by the end of this year.

The aircraft types involved are the short-haul Boeing 737, the medium-haul 727 and the long-range 747 Jumbo jet. Production of the two new-generation jets, the short-range 757 and semi-wide-bodied 767, has not yet got fully under way.

The higher production rate of the existing types of jets is due to the continued heavy inflow of new orders.

During the first four months of this year, Boeing logged firm orders for 92 new jets of all kinds, worth $2.4bn, and it expects its 1978 record of 490 new commercial jets, worth $11bn, to be maintained this year.

● General Electric of the U.S. has reached an agreement with Volvo Flygmotor of Sweden, whereby the latter company will help to develop the new CF6-32 jet engine of over 30,000 lb thrust.

This lower-thrust development of GE's highly successful CF6 series of "big thrust" engines is the rival to the Rolls-Royce RB-211 Dash 535 engine as a power-unit for the new Boeing 757 twin-engined short-range jet airliner, now on offer in world markets.

## World Economic Indicators

RETAIL PRICES

| | Mar. '79 | Feb. '79 | Jan. '79 | Mar. '78 | % Change over previous year | Index base year |
|---|---|---|---|---|---|---|
| UK | 210.6 | 208.9 | 207.2 | 191.8 | 9.8 | 1974=100 |
| W. Germany | 149.2 | 148.2 | 147.1 | 144.5 | 3.3 | 1970=100 |
| France | 213.0 | 211.1 | 209.7 | 193.4 | 10.1 | 1970=100 |
| Belgium | 131.4 | 131.3 | 130.9 | 126.7 | 3.7 | 1975=100 |
| Italy | 146.1 | 144.3 | 142.2 | 128.5 | 13.7 | 1976=100 |
| U.S. | 209.1 | 207.1 | 204.7 | 189.2 | 10.5 | 1967=100 |
| | Feb. '79 | Jan. '79 | Dec. '78 | Feb. '78 | | |
| Holland | 122.9 | 122.2 | 122.5 | 118.0 | 4.1 | 1975=100 |
| Japan | 123.0 | 123.4 | 123.3 | 120.1 | 2.4 | 1975=100 |

MIDDLE EAST TRADE

## Emirates spending in the balance

BY OUR FOREIGN STAFF

AS THE consultations in the United Arab Emirates continue on the shape of the new government, dozens of Western governments and bankers are anxiously awaiting the outcome. The result will dictate the direction of spending of the country's $10bn revenues and for some of the sheikhs of the northern Emirates, a difference between financial survival or continued recession.

Until now, it has been Abu Dhabi, the capital and financial backer of the federation, that has quietly channelled small amounts of cash to keep a number of the Rulers afloat. However, now the debts of the northern Rulers to foreign banks and contractors can be conservatively estimated at around $4bn.

Moreover, they have been outstanding long enough to prompt the head of one European government, Chancellor Bruno Kreisky of Austria, to write to Sheikh Zayed, President of the UAE and Ruler of Abu Dhabi, asking him when settlement can be expected.

Dubai has the largest foreign debt, around $2bn, to foreign banks and Governments to finance ambitious industrial and development plans, some of which have doubtful prospects of profitability. However, Dubai has an oil income of about $1.5bn, and is in a better position than those Rulers who do not have any oil.

In Dubai, no distinction is made between the income of the Ruler and that of his Government, but if customs, revenues from investments and income from rents collected from Sheikh Rashid's own property developments are counted as Government income, then the total would amount to about $3bn.

Investment income is only $200m, less than half the repayments the ruler is expected to make this year to service his debts. The debt-servicing ratio, if taken as a percentage of oil income alone, amounts to around 35 per cent.

Britain is heavily involved in financing the 74-year-old Sheikh Rashid's development plans. Outstanding ECGD-backed credits to Dubai currently amount to more than £300m. Under consideration at the moment is the underwriting of a dollar loan of $320m. British banks have also, by tradition, taken lead management positions in most of the ruler's syndicated Eurodollar loans.

Now, Sheikh Rashid is being asked, as are the other rulers, to contribute 50 per cent of his income to the federal budget.

Ras al-Khaimah is in a much more bleak position. It has no petroleum revenue and little other income. Early in 1977 the UAE Currency Board channelled substantial amounts of cash to Ras al-Khaimah, totalling $310m-$360m. The advances were arranged by the Currency Board's former managing director, Mr. Ronald Scott, who resigned two years ago. Board officials now admit that the loan was "inadequately appraised" as was its repayment schedule.

A number of export credits were extended to Ras al-Khaimah. One was $109m from the Austrian Government to pay for equipment provided by Elin Union, for the emirate's power station.

Government borrowing from local and foreign banks in Ras al-Khaimah amounts to the equivalent of $90m or 46 per cent of total credit extended in the state. In addition, the ruler is known to have taken small loans from a number of merchant banks, one of which is Lazards.

Sheikh Saqr, of Ras al Khaimah, also owes millions of dollars to local contractors. By the end of this month, he is supposed to pay out nearly $40m to the Greek contractor, Archirodon and Mothercat of Lebanon for work done on the port, which is 80 per cent complete, but a further delay in payment of up to a year is expected.

Abu Dhabi, the fountainhead of all bounty in the UAE, appears unwilling to finance the Ruler of Ras al-Khaimah any further. Last December, Abu Dhabi was known to have channelled $26m to the northern emirate, payable in three tranches of $13m, $7.7m and $5.3m. Much of that has gone to pay outstanding debts to contractors. But the last slice has also had to cover the salaries of local Government employees. Unless more money comes through from the capital, there are only slim hopes for the repayment of known debts which amount to over $500m, according to diplomats.

Sharjah's debts outrank that of Ras al Khaimah, but under the previous government, the prospects of full payment to contractors appeared much better. Unlike Sheikh Saqr of Ras al Khaimah, Sheikh Sultan was much more of a federal enthusiast that his northern neighbour, and thus Abu Dhabi, which was the principal backer to the union, was much more willing to channel funds through. Indeed, the capital was known to send regular, though small amounts to the emirate, say sources close to the Ruler.

Nevertheless, the situation there is not happy. Several contractors, some of them major British companies, still have debts outstanding for work done more than two years ago.

Sharjah's total debt is estimated at about $1bn, of which 60 per cent or more can be attributed to overseas banks and governments. Austria is again involved, as it provided three power units for the electricity station, only to be left waiting many months for payments.

Known syndicated loans include $200m, which was floated by the Banque Arabe et Internationale d'Investissement. The spread was 1 per cent above LIBOR, but was underwritten, only after some controversy by a guarantee signed by Sheikh Khalifa, Crown Prince of Abu Dhabi, pledging support from the Emirate of Abu Dhabi. Anthony Gibbs merchant bank in London, for $50m, and another from Citicorp, for $36m. Private placements have also been arranged for Sharjah's ruler. Added to this is $292m from local and foreign banks in Sharjah, and a Currency Board loan, the amount of which has not been disclosed.

Foreign contractors and governments have only themselves to blame for rushing into a market which was uncertain, according to some bankers. "It is their fault for not assessing the economy before. Everyone knew that the boom could not continue," said one. Britain's ECGD also offered Sharjah a credit last year, and, although repayment has been delayed, local advisers say there will be no problem, merely because the rulers of Abu Dhabi and Sharjah see eye-to-eye politically.

# UK NEWS

## Construction industry recovery continues

BY ANDREW TAYLOR

THE RECOVERY of the construction industry, which had shown signs of faltering at the beginning of this year, has continued throughout the first quarter, according to the latest state of trade survey by the National Federation of Building Trades Employers.

The survey of some 600 construction groups shows a greater number of firms reporting increased demand and output during the first quarter, compared with the previous three months. There was also a greater number of firms anticipating a further improvement in output during the current year.

However, the NFBTE says that improvement has largely been restricted to "smaller contracts with limited long-term prospects." Larger contractors still lack the volume of major orders to plan ahead confidently.

In addition increased demand during the first quarter may have benefited from the traditional upsurge in public sector interest from managers seeking to use up budget allocations ahead of the financial year-end.

The survey shows that during the first three months the proportion of firms reporting increased inquiries for new work rose from 36 per cent to 48 per cent.

Sectors showing the strongest demand for new work were again repair and maintenance and investment by private industry and commerce. But there also appears to have been some improvement in the previously "stagnant sectors of public works and, to a lesser extent, new housebuilding."

### Momentum

However, the NFBTE warns that most economic indicators suggest that the upturn in housebuilding and public new orders may be only temporary. In contrast it expects the growth in refurbishment and business investment to maintain its momentum throughout the year.

The first quarter also shows an improvement in the number of firms reporting actual new orders won—with 38 per cent reporting increased success in gaining orders against 20 per cent reporting reduced success.

The increase in new orders and inquiries is reflected in improved operating capacities with almost half the firms approached now working at full, or almost full, capacity—compared with 41 per cent in the previous three months, and 25 per cent a year ago.

Larger companies, employing more than 250 workers, however, are faring less well, with only between 33 per cent and 40 per cent operating at or near full capacity.

The NFBTE says that the survey indicates that a greater number of firms are now anticipating a further improvement in output during 1979 than has been suggested in most published forecasts.

However, it warns, the increasing bias towards short-life contracts and repair and maintenance work suggests that while building industry output may continue to grow at a reasonable rate in the current year, prospects for continued growth into 1980 are less certain.

● The survey also highlights the problem of attracting skilled workers to the building industry. It says that many companies are experiencing serious difficulties in hiring bricklayers, tilers, carpenters, plasterers and plumbers.

## Limited new version of Dolomite is introduced

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE BL subsidiary Jaguar Rover Triumph today again focuses attention on the Triumph Dolomite car by introducing a limited edition of a new version.

JRT insists that demand for the Dolomite range remains buoyant and that some versions are in short supply. This view is backed by dealers.

Last year registratrations of Dolomites fell from 24,764 to 22,529 but JRT maintains this was because of supply problems associated with the closure of the Triumph plant at Speke where the bodies were built.

In the first quarter of 1979 nearly 6,000 Dolomites were registered compared with a little more than 4,000 in the same period a year before.

Although it is a profitable and premium-priced range, the Dolomite presents JRT with some marketing problems because the models offer such different attractions.

The 1300cc version is a sedate and comfortable run-about while the Sprint, with its powerful 2-litre engine, has a diametrically opposed image.

Only 2,500 of the new limited edition model will be made, an average of less than three for each of JRT's UK outlets.

Called the Triumph Dolomite 1500 SE (for "special edition") the newcomer is based on the Dolomite 1500 rather than on the more expensive cars in the range.

The price of the SE is £3,925.

It is generally assumed that the Dolomite, along with the Marina and the Allegro from JRT's sister company Austin Morris, will be replaced by the medium-sized car code-named LC 10.

However, approval for this project has still to be given by the BL Board.

● The price of most BL cars increases by 5½ per cent today. Cars already in showrooms will not be put up.

Vauxhall prices also go up today—an average of 6 per cent.

● American scientists hope to have an electric car, with a performance better than today's petrol-engined models, working in ten years thanks to a joint project between the Lawrence Livermore Laboratory, and the Lockheed Aircraft Company on an ultra-powerful aluminium air battery.

Refuelling would involve replacing aluminium plates and draining the aluminium oxide powder every 600 miles, and topping up with water every 250 miles. No other battery maintenance would be needed.

## Coal 'by wire' plan is revived

BY ROY HODSON

AN idea first described by Lord Robens when he was chairman of the National Coal Board as "exporting British coal by wire" has been revived by Mr. Glyn England, chairman of the Central Electricity Generating Board.

In the Coal and Energy Quarterly published by the NCB, he says that coal mined in the heart of England will find a multi-million pound market in France. It will be used to generate electricity in England for the planned 2,000 megawatt cross-Channel power link.

"If the price is right, up to 1m tonnes of coal a year can be used to send power to France," says Mr. England.

Two-thirds of the CEGB's generating capacity is coal-fired. But, Mr. England claims, the Board's markets have suffered in the last few years because of high fossil fuel prices.

The proposed cable link would be operated jointly with Electricité de France. A formal agreement between the two electricity authorities is now in the last stages of negotiation.

The British Government gave its approval in principle in August, 1978. Planning permission for a cable terminal in Kent has been sought and extensive technical trials are in progress.

The link could be ready by 1984-85 and is expected to cost at least £250m.

## Prestel service queue growing

BY MAX WILKINSON

THE POST OFFICE has received more than 4,000 inquiries for Prestel, the new electronic publishing system, for which a limited public service was launched at the end of March.

Most people wanting to be connected to Prestel will have to wait until at least the autumn, because few specially adapted television receivers have yet been produced.

Prestel is a system invented in Britain, which enables modified television sets to display text obtained by the telephone network from Post Office computers.

The Post Office is putting discreet pressure on television set makers to speed their production plans, but manufacturers are, in turn, waiting for micro-electronic components to be developed for Prestel sets.

The Post Office is at present able to connect only a limited number of subscribers because it is still developing and installing the computers needed to run the service.

The information stored by the computers is at present supplied by 150 organisations which have between them put more than 150,000 pages of information on the system.

The launching of the system on March 26 followed a year's test service for a limited number of users. About 850 sets were connected by the end of the test service.

These sets had to be hand-made by manufacturers because no mass production lines existed for converting standard receivers into Prestel sets.

The present public service is for residential users in the London area only. The Post Office feared that if it opened the service to London business users, it would receive many more inquiries than it could accommodate.

## Public inquiry into mine plan opens

BY JOHN LLOYD

THE FIRST SKIRMISHES in what is expected to be a protracted battle over major coal mining developments in the Vale of Belvoir, in North-East Leicestershire, will be joined today with the opening of a preliminary hearing on the National Coal Board's application to mine there.

The hearing, to be held at Stoke Rochford near Grantham, in the heart of the vale, is expected to last three days. It will determine the scope and agenda for the full-dress inquiry into the proposed development, timed for October.

Mr. Michael Mann, QC, who was appointed in January by Mr. Peter Shore, then the Environment Secretary, to chair the proceedings, has already suggested an agenda. This is unlikely to be seriously disputed by groups, such as the National Farmers' Union, Leicestershire County Council and Belvoir protection groups, who oppose the developments, or by the NCB and Department of Energy who are backing them.

Mr. Mann has proposed that the inquiry be a radical one, dealing with the national need for coal as well as the viability of the Belvoir field. It should also deal with environmental, employment and land loss issues.

## Foodmakers seeking new markets abroad

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

BRITAIN'S FOOD Manufacturers are increasingly looking overseas for new markets to compensate for the static domestic demand and fierce High Street competition, says a survey.

The Institute of Grocery Distribution's annual review shows that the UK's manufactured food exports last year rose by a quarter to top £1bn for the first time. At the same time manufactured food imports were down 2 per cent to just over £5bn.

The growth areas for export last year appeared to be dairy products and cereals. But "for 1979 much will depend on relative movements of the major world currencies, including the Green Pound."

Further confirmation that 1978 was a generally good year for food exports, says the review, can be found in the recent Queen's Awards for Exports and Technology. Of the 102 awards to companies for export achievements, 12 went to food and drink companies.

The United Biscuits company has been one of the most successful in export performance.

Its overseas sales as a percentage of turnover rose from 5 per cent in 1972 to 40 per cent in 1977. At the same time profit earned overseas as a percentage of the company's total rose from 1 per cent to 33 per cent in the same period.

The attraction of increasing food exports is that the UK demand for food is static, which means that competition for a larger share of the existing market has become even more fierce in the past few years.

## Unions expect fight with Government

TRADE UNION delegates were sent away in a mood of defiance tinged with apprehension from the Wales TUC's annual conference in Tenby, West Wales, at the weekend.

Spirits were raised in the wake of Mrs. Thatcher's victory by a rousing speech from Mr. Neil Kinnock, MP, a left-wing member of Labour's national executive, who promised full backing for trade union resistance to the new Government's legislative plans in the industrial relations fields.

Mr. Kinnock claimed the Conservatives won the election by "harvesting discontent and mobilising greed."

He warned: "Those who live by greed, can die by greed."

Mr. Emlyn Williams, the South Wales miners' leader, forecast confrontation with the new administration over pit closures and denationalisation.

## Firm fishing policy urged by chip-shop owners

BY MAURICE SAMUELSON

BRITAIN's fish and chip shop owners resent their back-street image and prefer to be thought of as among the take-away food pioneers—with whom the rest of the world has belatedly caught up.

At Harrogate's Cairn Hotel this week, the 100 delegates at the 65th annual conference of the National Federation of Fish Fryers have been dining à la carte rather than from paper bags wrapped in newspaper.

Admittedly, many of the country's 12,000 chip shops now serve chicken portions, beef and hamburgers apart from the usual cod, haddock and plaice. Mushy peas, once a purely Northern delicacy, are spreading south.

However, the industry's twin staples remain unchanged, personified in two of the federation's guests of honour, Mr. C. L. Meek, chairman of the White Fish Authority, and Mr. G. S. Grantham, chairman of the Potato Marketing Board.

After some difficult years, the industry has largely absorbed the steep rises caused by the Cod War and the bad potato harvests of 1975-76.

But it remains unhappy that one-third of fish landed in Britain comes off foreign trawlers and it wants the new Government to defend the UK's own fishing industry and resources with as much vigour at Brussels as Mr. John Silkin, Labour's Minister of Agriculture and Fisheries showed.

Last year, Britain's fish and chip shops are believed to have taken £250-£300m. But they could not have done so without varying their fare, with fish wholesaling at £10 a stone, compared with £4.50 in February, 1975.

## Call for action against hand tool imports

By Roy Hodson

A CALL for protection against cheap hand tools being made in Hong Kong, South Korea, Brazil, and India and imported duty-free into Britain is made by Mr. G. W. Ward, the new president of the Federation of British Hand Tool Manufacturers, in his inaugural address.

Mr. Ward, who is a director of James Neill Holdings, called for new representations to be made for hand tools to be placed on the "sensitive" list under the Generalised Scheme of Preferences for developing countries, as a means of limiting the growth of imports into Britain.

Makers of hand tools in Britain now account for a turnover of nearly £200m a year. The industry exported goods worth more than £100m last year. Meanwhile, imports reached £72.4m in 1978—a 33 per cent increase over the previous year.

The European Hand Tools Organisation is also making new representations to the Community in Brussels about the pressures hand tool manufacturers throughout the Nine are experiencing from imports.

## Rhodesia bonds

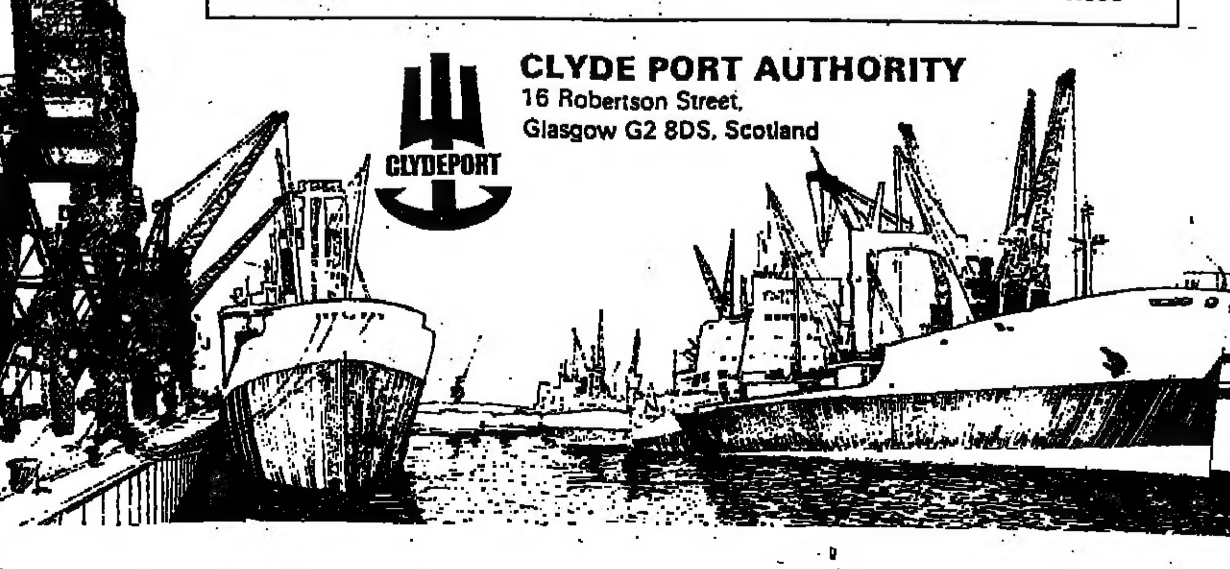
IN THE Onlooker column in Saturday's paper, Mr. Roger Abraham of Simon and Coates, was quoted as saying that if sanctions on Rhodesia were lifted, investors would receive £11¼ from Southern Rhodesia 2½ per cent 1965-70.

We have been asked to make clear that the figure should be £111¼.









# UK NEWS—POLITICS

Financial Times writers look at the people who will be running some of the key teams in the new Government and the issues that will confront them.

## Finance team has targets ready-made

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE CONSERVATIVES arrive at the Treasury with not only a clear idea of what they would like to achieve but a team well prepared for the task.

Sir Geoffrey Howe, the new Chancellor of the Exchequer, had been shadowing Mr. Denis Healey for more than four years. He brings with him to the Treasury his two shadow colleagues for the past 18 months: Mr. Nigel Lawson as Financial Secretary and Mr. Peter Rees as Minister of State.

Moreover, the two additions—Mr. John Biffen as Chief Secretary, with a seat in Cabinet, and Lord Cockfield as Minister of State—have both been closely involved in the preparation of Tory economic and tax proposals.

The Tories worked out the essence of their tax ideas two years ago and Sir Geoffrey's team prepared detailed suggestions on cutting public spending after lengthy discussions with other Shadow Ministers. That mirrored the annual spending review within Whitehall. While the final figures have not been agreed, the hope is that the new ministers will now be thinking in terms of expenditure cuts, not additions.

All five are strong personal enthusiasts for the Tory philosophy of cutting taxes and public spending. Some of the new ministers, notably Mr. Biffen, have been highly critical of the EEC in the past and there is unlikely to be any great enthusiasm for early full participation by the UK in the European Monetary System.

Of the five, only Sir Geoffrey has previous ministerial experience. He was Solicitor-General and Consumer Affairs Minister in the Heath Government.

As Shadow Chancellor from early 1975 he suffered rough handling in the Commons for a long time from Mr. Healey. However, his recent Parliamentary performances have been more relaxed and effective.

Behind his quiet and slightly painstaking public face Sir Geoffrey has clear-cut and precise views on the main economic issues. He has been sceptical of some academic controversies and has drawn heavily on personal experience in his beliefs on, say, incentives and taxation.

Sir Geoffrey certainly has no illusions about the constraints faced by any Chancellor. For Whitehall watchers there will be close interest in whether Sir Geoffrey follows Mr. Healey's style of robust openness in the discussion of policy within the Treasury.

Mr. John Biffen is probably the most strongly committed monetarist the Treasury has had as a Minister. Mr. Biffen has, for example, never had any time for incomes policies, has been strongly critical of industrial subsidies, and is committed to the top priority of reducing public borrowing.

He was one of the few original Powellites and is said to be the only leading Tory for whom Mr. Powell has any respect. Mr. Biffen did, however, have the judgment not to become too closely identified with Mr. Powell. He has the reputation of having mellowed over the years to become a popular Commons figure.

Before the election he had responsibility for small businesses after an 18-month absence from the Shadow Cabinet because of a desire to avoid over-strain.

Lord Cockfield is a more familiar figure in Whitehall. His long career has included spells in the Inland Revenue, at Boots, as special tax adviser to the Conservatives before and after the 1970 election, as chairman of the Price Commission from 1973 to 1977, and, most recently, as close adviser to Mrs. Thatcher.

An indication of Lord Cockfield's views was given in an important lecture last November when he called in particular, for simplification of the present system of company taxation as well as a reduction in the overall tax burden.

The other two junior ministers, Mr. Lawson and Mr. Rees, seem likely to play a bigger role than their predecessors. They were allowed little scope beyond the details of tax legislation, although Mr. Denzil Davies was emerging from the shadows towards the end of the Labour administration.

Mr. Lawson had a successful career as a journalist, starting on the Financial Times.

Mr. Peter Rees is the least known of the team. He is a barrister and expert on tax matters, on which he will presumably work closely with Lord Cockfield.

Sir Geoffrey Howe (left), Sir Keith Joseph, Mr. John Nott, Mr. James Prior and Lord Carrington.

## Liberal slant to foreign team

BY ELINOR GOODMAN

THE composition of the seven-man foreign affairs team reflects the importance Mrs. Thatcher attaches to foreign relations.

Led by Lord Carrington, one of the most experienced politicians at her disposal, it also includes Sir Ian Gilmour, one of the party's leading intellectuals, and Mr. Douglas Hurd, a former diplomat and a committed European.

Overall, it represents a victory for the liberal, internationalist wing of the party and is unlikely to be regarded with much enthusiasm by white leaders in Southern Africa, or, indeed, the black members of Rhodesia's newly elected Government. A rather warmer welcome awaits it, however, in Brussels.

The size of the team reflects the Conservative decision to put overseas development back under the umbrella of the Foreign Office, where it will be the special responsibility of Mr. Neil Marten.

Lord Carrington, whose experience in Government goes back to 1951, apparently made it clear to Mrs. Thatcher that the only job in which he was really interested was the Foreign Office.

As a former leader of the House of Lords and Defence Secretary, he has already held most of the senior posts which can be carried out from the second chamber.

The job of Foreign Secretary is apparently put in this category because, by and large, foreign affairs are not usually the subject of major arguments between the parties. Moreover, Sir Alec Douglas Home, as Lord Home, had showed it was possible.

For this reason, Mrs. Thatcher decided to give Lord Carrington precedence over both Mr. Francis Pym, who has been the shadow Foreign Secretary since November last year, and the less likely candidate, Mr. Edward Heath.

Lord Carrington is likely to take a rather tougher line on the Rhodesia internal settlement than some members of the new Rhodesia Government might have hoped from a Tory administration.

A pragmatist, he has little sympathy with the "kith and kin" arguments put forward by some members of his party and believes that the future of Souther Africa lies with the blacks.

Sir Ian Gilmour, who will speak for Lord Carrington in the House of Commons and has been appointed Lord Privy Seal with responsibility for European Affairs at the Foreign Office, is also a liberal on foreign policy.

He is also pro-Arab and a strong supporter of the Atlantic Alliance.

His experience to date has been largely on defence matters. He was made Minister of State for Defence by Mr. Heath in 1972, and in 1976 he was made Opposition spokesman on Defence.

As the former chairman of the Conservative Research Department and the author of Inside Right—a Study of Conservatism, he is regarded as one of the party's intellectuals.

Beneath him in the House of Commons will be four Ministers of State and one Parliamentary Under-Secretary. The strong pro-market attitude of Mr. Douglas Hurd, a former Heath aide, will, to some extent, be offset by Mr. Marten's strong opposition to British membership, though Mr. Marten's chief responsibility will be overseas aid.

Mrs. Thatcher has also appointed another of her most loyal supporters, Mr. Nicholas Ridley, as a Minister of State at the Foreign Office, together with Mr. Peter Blaker. The Parliamentary secretary is to be Mr. Richard Luce.

The new team faces a number of immediate tests, both on the EEC and in Southern Africa. As well as the Tokyo economic summit, which Mrs. Thatcher has already said she intends going to, there is the EEC summit in Strasbourg in June and the Commonwealth Prime Ministers' Conference in Lusaka later in the summer.

The Foreign Secretary and the Minister of Agriculture, Mr. Peter Walker, will have to plunge straight into EEC affairs but the most pressing foreign policy issue is Southern Africa—particularly Rhodesia.

Lord Carrington will be under pressure from the party's right wing to recognise the Government of Bishop Abel Muzorewa, following last month's Rhodesian elections, and to rethink the joint Anglo-American initiative in which Dr. David Owen was an active participant.

## Ministers for industry bring rich experience

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

WHEN THE five Ministers responsible for Britain's industrial affairs meet for the first time this morning in their offices at the Department of Industry, they will bring together a range of knowledge about different types of businesses. All, in one way or another, have had direct industrial experience.

Sir Keith Joseph, aged 61, the new Secretary of State, used to work for his family's construction company, Bovis, of which he was once deputy chairman.

Then there are two Ministers of State, both of whom, unlike Sir Keith, were somewhat surprise appointments. One is Mr. Adam Butler, aged 47, formerly Mrs. Thatcher's Parliamentary Private Secretary; the other is Lord Trenchard. Mr. Butler has experience as a Courtaulds executive, running some of its smaller units, and Lord Trenchard as a former director of Unilever.

The team is completed by two Parliamentary Under-Secretaries: Mr. Michael Marshall, aged 48, and Mr. David Mitchell, aged 50. Mr. Marshall is a management consultant and has worked in the private sector of the steel industry, while Mr. Mitchell is a wine shipper (owner of Fleet Street's El Vino's wine bar) and has been head of the Conservatives' Small Business Bureau.

How those Ministers will split up the responsibilities has yet to be decided, although it is assumed that Mr. Mitchell will deal with small companies.

Sir Keith has been studying briefs from his new department's civil servants since Saturday afternoon, when he saw Sir Peter Carey, the department's permanent secretary.

Sir Peter handed over a dossier on immediate issues and longer-term policies, and that was followed by a lengthy meeting on Sunday afternoon between Sir Keith and senior civil servants.

The difficulty facing Sir Keith will be to disengage sufficiently from the host of immediate questions needing decisions so as to be able to deal with longer-term issues. He has made clear during the past few years that he does not believe that financial and managerial intervention by the State is the right way to encourage industrial expansion, and he is apparently determined to find the time and energy to diagnose alternative ways of creating the framework in which industry can prosper.

He will find, however, that important decisions are needed quite quickly on a range of matters, each of which challenges Sir Keith's basic policy of non-intervention.

The corporate plan of the National Enterprise Board (whose annual results are announced this morning) is sitting on Sir Keith's desk awaiting approval or rejection. There are also smaller NEB issues to be tackled, such as the future of Prestcold's Glasgow factories and a computer peripherals tie-up with the U.S.

Then there are the massive problems of the shipbuilding and steel industries, as well as the Conservatives' avowed wish to denationalise aircraft, shipbuilding and other industries.

In addition, Sir Keith must consider in a month or so whether to extend the £150m Selective Investment Scheme. (Labour had planned a £100m-£150m expansion), used to attract inward investment into the UK and to persuade British companies to accelerate their investment projects.

Dunlop also has a highly controversial £23m aid application awaiting Ministerial attention and there are the questions of aid for the Wheal Jane Cornish tin mine, and the workers' co-operatives at Kirkby and Meriden.

## Prior offers pragmatic approach to unions

BY CHRISTIAN TAYLOR AND ELINOR GOODMAN

THE NEW Secretary of State for Employment will be counting himself lucky to have arrived. Only two months ago there was serious doubt whether Mr. James Prior's conciliatory line towards the trade unions would make him an acceptable choice for a senior Cabinet post, or indeed any post.

If there is anybody in the new Government who can get on with the unions, it is Mr. Prior.

He worked stubbornly in Opposition to mend fences after Mr. Heath, his old mentor, came to grief over the Industrial Relations Act and the miners' strike in 1974. He has worked with the zeal of the convert, risking his political neck in the process, for a laissez-faire policy on labour law, having supported Mr. Heath's hawkish line when he was one of the former Prime Minister's less visible Ministers.

The real question must be whether Mr. Prior will be given his head and allowed to tackle the Conservatives' manifesto promises—particularly on trade union immunity under the law—in the patient and pragmatic way he favours.

If, as the unions believe, he is to be only a front man for a new breed of Conservative zealots and their legal advisers, his personality will not be enough to stem the controversy, and possibly explosion, that would greet a frontal assault on union privileges.

Legal reform will not be his only test. If the new Chancellor demands a high price—in terms of jobs, for example—for honouring the Clegg Commission awards to public service workers over the next 12 months, Mr. Prior will be the first to feel the blast of industrial action from local government and health workers.

Elsewhere Mr. Prior is faced with much unfinished business in the public sector. The postal workers' ballot last week produced a rejection of a 12 per cent pay and productivity offer and the power workers, who have been offered an estimated 12 to 15 per cent, also look set to reject the deal in their national ballot, in spite of a recommendation by their union leaders for acceptance.

The teachers' industrial action over pay continues, and 400,000 local-government staff will shortly formulate details of their claim for the "going rate" in wage increases in the current round. Further ahead this summer, 200,000 industrial civil servants will submit their claim as well.

One product of Mr. Prior's lonely climb back to the Cabinet (he was Minister of Agriculture and leader of the House under Mr. Heath) has been a detectable sharpening of his political skills. Once considered merely a bluff farmer, he has shown considerable public dexterity in recent years, masking the divisions in Tory ranks on incomes policy and industrial relations.

If Mr. Prior's confirmation in office is more than just recognition of his diplomatic skills, then he might be a powerful moderating force in the Cabinet when difficult political decisions, not least about jobs, confront the new Government.

The Tory trade unionists will certainly be relieved at Mr. Prior's appointment. They may be less pleased by the placing of Mr. Barney Hayhoe, an assistant spokesman on employment while the Tories were in opposition, in the Defence Department.

## N. Ireland greets Atkins cautiously

BY STEWART DALBY IN DUBLIN

THE NAMING of Mr. Humphrey Atkins as the new Northern Ireland Secretary has been greeted by a combination of violence from the Provisional IRA and cautious surprise from politicians in both Ulster and the Republic.

Mr. Atkins, who is due in the Province either today or tomorrow, makes his visit at a time when terrorist violence has been at a peak.

A soldier and policeman were ambushed outside a church in Lisnaskea, near the border, over the weekend.

The Provisionals claiming responsibility, demanded that the Conservative Government withdraw British troops from the Province. "Slaughter" would continue until this was done, they said.

Of the orthbodox politicians in Northern Ireland, the uncompromising Rev. Ian Paisley was the most positive.

Mr. Paisley, who is flush with success at boosting his Democratic Unionst Party's representation at Westminster to three, said he was sure the new Secretary of State would adopt a tough security policy.

"I've no doubt Mr. Atkins will make a military defeat of the IRA a top priority."

What Mr. Paisley bases this confidence on is unclear since most other Ulster politicians—Westminster MPs included—said they knew little or virtually nothing of the 56-year-old former chief whip.

Mr. Oliver Napier, leader of the non-sectarian Alliance Party, said he had heard of the new Secretary but knew nothing about him.

Mr. Gerry Fitt, leader of the Social Democratic Labour Party, the main Catholic group, said he did not have a great knowledge of Mr. Atkins' policies but that he was "prepared to give this one a try."

Mr. Fitt was known to have had an intense personal dislike of the outgoing Secretary, Mr. Roy Mason.

In Dublin, Mr. George Colley, deputy Prime Minister and Finance Minister, repeated his call—made last week in strong terms—for the British Government to tell the Unionists that they could not expect British support for ever.

Mr. Jack Lynch, the Irish Prime Minister, is known to be pressing for an early meeting with Mrs. Thatcher to discuss Northern Ireland.

## Nott's sensitive demolition task

BY OUR LOBBY STAFF

THE intricacies of Britain's trading policies barely featured as an election issue, yet the new Trade Secretary, Mr. John Nott, will be responsible for one of the most politically-sensitive policy changes the new Government is likely to make.

The Department of Prices & Consumer Affairs is once again to be merged into the Department of Trade and it will therefore be Mr. Nott's job to decide just how the Price Commission is to be dismantled and what, if any, consequential changes will have to be made in the functions of the Office of Fair Trading.

As a rightwinger on economic matters, and a self-declared enemy of centralised bureaucracy, Mr. Not will presumably be very happy with this aspect of his job.

Certainly, Mrs. Sally Oppenheim, the Minister of State with special responsibilities for Consumer Affairs, has never minced her words about the Price Commission during her five years as shadow Prices Secretary.

"A star chamber" was just one of the descriptions she coined.

Over the years, the Department of Trade has acquired a curious assortment of responsibilities, some of which, like the marine division, excite very few political passions.

In other areas, like company law, and to a lesser extent trade itself, the main parties agree on the broad outline of policy. One of Mr. Nott's first jobs will be deciding whether to introduce a redrafted Companies Bill to replace the one lost in the last session.

By no means all the subjects which come within the Department of Trade's remit are so uncontroversial. Under the last Government, at least, it was Trade which was charged with the delicate question of drawing up proposals for introduction of industrial democracy.

Moreover, now that the Department has been given back prices and consumer protection, it will also be responsible for competition policy—a subject on which the Conservatives have been remarkably quiet in terms of detailed proposals during their period in Opposition.

Mr. Nott's previous experience of Government is relatively limited: he was Minister of State at the Treasury for two years in the Heath administration.

But though he is barely known outside Westminster, he has been marked out for some time as one of Mrs. Thatcher's rising stars. He was promoted from being one of several Opposition spokesmen on Economic Affairs in December, 1976, to take over as shadow Trade Secretary.

He is an effective, sometimes witty debater—it was he who suggested that the Attorney-General should be given the Clay Cross—who combines fairly orthodox right-wing economic views on most things with a decidedly independent streak.

Recently, for example, he was the first senior member of Mrs. Thatcher's shadow team to start questioning publicly the way the EEC was working. He remains a committed pro-marketeer but has never concealed his doubts about the wisdom of Britain joining the European Monetary System.

## Unemployment is first priority in Scotland

BY RAY PERMAN, SCOTTISH CORRESPONDENT

AN ATTACK on unemployment will be the first priority of the Government north of the Border, Mr. George Younger, Secretary of State for Scotland, said yesterday.

Speaking in Edinburgh, he said that he expected to give the largest part of his attention to employment for at least the rest of the year.

Urgent difficulties faced the shipbuilding industry and companies such as Prestcold, Marathon Shipbuilders, and the Wiggins Teape pulp mill at Fort William.

"I do not like the term 'lame ducks,' but there are industrial problems in Scotland, which are nobody's fault, but are part of the change which must come in any economy.

"I certainly do recognise that a lot of my time is going to be needed to change the steady decline in our industrial base."

Mr. Younger said that he expected the new Government to continue aid to Prestcold until the future of the company's two Glasgow factories was decided, and he expected that the Government-backed order to Marathon would be confirmed.

# Mrs. Thatcher's new Government

**Members of the Cabinet**

Prime Minister: Mrs. Margaret Thatcher (53) £22,000.
Home Secretary: Mr. William Whitelaw (60) £14,300.
Lord Chancellor: Lord Hailsham (71) £22,228.
Foreign Secretary and Minister for Overseas Development: Lord Carrington (59) £14,300.
Chancellor of the Exchequer: Sir Geoffrey Howe (52) £14,300.
Industry Secretary: Sir Keith Joseph (61) £14,300.
Defence Secretary: Mr. Francis Pym (57) £14,300.
Lord President of the Council: Lord Soames (58) £14,528.
Employment Secretary: Mr. James Prior (51) £14,300.
Lord Privy Seal: Sir Ian Gilmour (52) £14,300.
Minister of Agriculture Fisheries & Food: Mr. Peter Walker (46) £14,300.
Environment Secretary: Mr. Michael Heseltine (46) £14,300*.
Secretary for Scotland: Mr. George Younger (47) £14,300*.
Secretary for Wales: Mr. Nicholas Edwards (45) £14,300*.
Secretary for Northern Ireland: Mr. Humphrey Atkins (56) £14,300.
Social Services Secretary: Mr. Patrick Jenkin (52) £14,300.
Chancellor of the Duchy of Lancaster: Mr. Norman St. John Stevas (49) £14,300*.
Trade Secretary: Mr. John Nott (47) £14,300*.
Energy Secretary: Mr. David Howell (43) £14,300*.
Education Secretary: Mr. Mark Carlisle (49) £14,300*.
Chief Secretary to the Treasury: Mr. John Biffen (48) £14,300*.
Paymaster General: Mr. Angus Maude (66) £14,300*.

**Ministers not in the Cabinet:**

Transport Minister: Mr. Norman Fowler (41) £10,450*.
Parliamentary Secretary, Treasury: Mr. Michael Jopling (48) £10,450*.
Attorney-General: Sir Michael Havers (56) £15,950.
Solicitor-General: Mr. Ian Percival (57) £12,100.
Minister of State, Department of the Environment, Minister for Local Government: Mr. Tom King (45) £10,450*.
Minister of State, Department of Trade, Minister for Consumer Affairs: Mrs. Sally Oppenheim (48) £8,250*.

**Home Office**

Minister of State: Mr. Timothy Raison (49) £8,250, Mr. Leon Brittan (39) £8,250; Parliamentary Under-Secretary of State: Lord Belstead (46) £6,622.

**Department of Employment**

Minister of State: The Earl of Gowrie (39) £8,822; Parliamentary Under-Secretary of State: Mr. James Lester (46) £6,050; Mr. Patrick Mayhew (49) £6,050.

**Ministry of Agriculture, Fisheries and Food**

Minister of State: The Earl Ferrers (49) £8,822; Mr. Alick Buchanan-Smith (47) £8,250. Parliamentary Secretary: Mr. Jerry Wiggin (42) £6,050.

**Department of the Environment**

Minister of State (Minister for Housing): Mr. John Stanley (37) £8,250. Parliamentary UnderSecretary of State: Mr. Marcus Fox (51) £6,050; Mr. Geoffrey Finsburg (52) £6,050; Mr. Irwin Bellow £6,050, Mr. Hector Monro (56) £6,050.

**Scottish Office**

Minister of State: The Earl of Mansfield (48 £8,822. Parliamentary Under-Secretary of State: Mr. Alexander Fletcher (49) £6,050; Mr. Russell Fairgrieve (55) £6,050; Mr. Malcolm Rifkind (32) £6,050.

**Welsh Office**

Parliamentary Under-Secretary of State: Mr. Michael Roberts (52) £6,050; Mr. Wyn Roberts (48) £6,050.

**Northern Ireland Office**

Minister of State: Mr. Michael Alison (52) £8,250; Mr. Hugh Rossi (51) £8,250. Parliamentary Under-Secretary of State: The Lord Elton (49) £6,622; Mr. Philip Goodhart (53) £6,050; Mr. Giles Shaw (47) £6,050.

**Department of Health and Social Security**

Minister of State (Minister of Health): Dr. Gerard Vaughan (55) £8,250. Minister of State (Minister for Social Security with special responsibility for the Disabled): Mr. Reginald Prentice (55) £8,250. Parliamentary Under-Secretary of State: Sir George Young (37) £6,050; Mrs. Lynda Chalker (37) £6,050.

**Department of Trade**

Minister of State: Mr. Cecil Parkson (47) £8,250. Parliamentary UnderSecretary of State: Mr. Norman Tebbit (48) £6,050, Mrs. Reginald Eyre (54) £6,050.

**Department of Energy**

Minister of State: Mr. Hamish Gray (51) £8,250. Parliamentary Under-Secretary of State: Mr. Norman Lamont (37) £6,050, Mr. John Moore (41) £6,050.

**Department of Education and Science**

Minister of State: Baroness Young (52) £8,822. Parliamentary Under-Secretary of State: Dr. Rhodes Boyson (53) £6,050, Mr. Neil Macfarlane (43) £6,050.

**Civil Service Department**

Minister of State: Mr. Paul Channon (43) £8,250.

**Department of Transport**

Parliamentary Secretary: Mr. Kenneth Clarke (38) £6,050.

**Foreign and Comonwealth Office**

Minister of State: Mr. Douglas Hurd (48) £8,250; Mr. Nicholas Ridley (50) £8,250; Mr. Peter Blaker (56) £8,250; Mr. Neil Marten (62) £8,250. Parliamentary Under-Secretary of State: Mr. Richard Luce (42) £6,050.

**H.M. Treasury**

Financial Secretary: Mr. Nigel Lawson (47), Minister of State: Mr. Peter Rees (52) £8,250; The Lord Cockfield (62) £8,822.

**Department of Industry**

Minister of State: Mr. Adam Butler (47) £8,250; Viscount Trenchard (55) £8,822. Parliamentary Under-Secretary of State: Mr. Michael Marshall (48) £6,050; Mr. David Mitchell (50) £6,050

Mackay (51) £12,100.
Lord Advocate: Mr. James
Solicitor-General for Scotland: Mr. Nicholas Fairbairn (45) £9,907.

**Ministry of Defence**

Minister of State: Lord Strathcona (55) £8,822. Parliamentary Under-Secretary of State: Mr. Barnely Hayho (53) £6,050, Mr. Keith Speed (45) £6,050, Mr. Geoffrey Pattie (43) £6,050.

**Whips**

Treasurer of Her Majesty's Household (Deputy Chief Whip): Mr. John Stradling Thomas (55); Captain of the Honourable Corps of Gentlemen-at-Arms: Lord Denham (51). Comptroller of Her Majesty's Household: Mr. Spencer Le Marchant; Vice-Chairman of Her Majesty's Household: Mr. Anthony Berry (54); Lords Commissioners of Her Majesty's Treasury: Mr. Carol Mather (60), Mr. Peter Morrison (35), Lord James Douglas-Hamilton (36), Mr. John MacGregor (42).

* Privy Councillors.

In addition to their ministerial salaries, Cabinet Ministers receive £3,529 of their MP's pay, other Ministers receive £4,299 and whips receive £4,642. Ministers can also claim the normal MPs secretarial and research allowance of £4,200 a year.

# UK NEWS

# LABOUR

## Demand stimulus 'should offset oil price rises'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A SHORT-TERM stimulus to demand is appearing which should offset some contractionary effects of the oil price increase, says an analysis today by the London Business School's Centre for Economic Forecasting.

The analysis deals with the impact on real incomes of delayed pay settlements now coming into effect; the stronger-than-expected sterling exchange rate: and postponement of rises in indirect tax increases.

Its conclusion is that "any boost given to demand by these factors will only be temporary." The behaviour of the longer-leading cyclical indicators last year and recent real monetary behaviour, after adjustment for inflation, are consistent with some temporary expansion of domestic demand.

The Business School's view is shared by several City analysts, and supported by business opinion surveys.

Wood Mackenzie the stock-broking firm, believes that retail sales will remain fairly strong over the next six months. After a full recovery from the effects of the winter labour disputes, "the outlook for industrial output over the next few months is fairly encouraging, with demand in both domestic and most overseas markets expected to remain relatively firm."

Wood Mackenzie suggests that the new Government is likely "to maintain high short-term interest rates until the strength of consumers' expenditure and loan demand shows signs of moderating."

The brokers Phillips and Drew calculates that public-sector borrowing will be slightly above £10bn in 1979-80 unless deflationary fiscal action is taken soon. This is after taking account of the rise in personal income-tax allowances announced in the caretaker Budget on April 3.

The firm says that this estimate is, if anything, likely to be a minimum, since it assumes further rises in pay of only 5 per cent in this fiscal year from the comparability exercises already promised.

Fielding Newson-Smith says that public-sector borrowing of £8.5bn after Budget adjustments would leave little for the gilt-edged market to go for in the short-term however credible any medium-term strategy for reducing it further may appear. Borrowing below £6bn is required for a significant further rise in gilt prices.

## Italian hospitals order three EMI scanners

BY MAX WILKINSON

EMI MEDICAL yesterday announced orders from hospitals in Italy for three computerised body scanners worth about £800,000.

The company says the order is an indication that business is improving after two rather bleak years. EMI, which invented the idea of the scanner in the late 1960s and installed the first machine in 1971, has been overtaken by several competitors in Japan, the U.S. and Europe.

The recent orders, for hospitals in Lecce, Genoa and Bologna, will bring the total installations of EMI scanners in Italy to nearly 30. In the last eight years EMI has received orders for 1,000 scanners from hospitals in 50 different countries.

The EMI scanners take 12 seconds to produce a television picture based on X-rays of the human body. This is considerably slower than the machines being marketed by some competitors, including General Electric of the U.S., Philips, Siemens and Ohio Nuclear (U.S.).

However, EMI says it has now received about 40 orders for its next generation machine, the 7070, which can complete the scanning operation in only three seconds and still produces a high definition picture. This machine is expected to be in production by the end of the year.

## Expulsion broke union rules, says inquiry

BY NICK GARNETT, LABOUR STAFF

AN INDEPENDENT committee has judged that a textile union broke its own rules when it expelled a member involved in one of Britain's longest and bitterest closed shop disputes.

The Independent Review Committee, whose secretariat is provided by the TUC, also decided that the National Union of Dyers, Bleachers and Textile Workers, acted in breach of natural justice when it expelled Mr. Joseph Thompson last year.

Some members of the Conservative Government may see this decision as reinforcing their argument that there must be some form of statutory redress for workers who fall foul of the closed shop.

But supporters of a voluntary system, including the unions and the Labour Party, will argue that the committee has shown that it can make valid judgments in closed shop disputes involving individuals.

Mr. Thompson lost his membership card and as a result his job as a textile worker because he had worked in 1965 at William Denbys, a Yorkshire textile mill blacked by the union.

The review committee said the union's decision to expel Mr. Thompson because he acted "contrary to the interests of the union" was in breach of its rules; as it referred to an episode when he was not a union member.

The union had alleged he was also guilty of "wilful mis-statement or omission" on his application form. However, the committee judged that even if this were true, it did not justify expulsion.

The principles of natural justice demanded a hearing by the executive committee, yet no such hearing was held.

It therefore recommended that Mr. Thompson be taken back into union membership.

The committee made no recommendation on future employment for Mr. Thompson in dyeing and bleaching because of its effect on industrial relations, in which the Denby dispute was still an issue.

It did, however, suggest the union should assist Mr. Thompson to find a job elsewhere.

The union's executive will almost certainly follow the recommendations.

## Police want rise brought forward

MR. JAMES JARDINE, chairman of the Police Federation, said yesterday that an immediate approach would be made to Mr. William Whitelaw, the new Home Secretary, to press for implementation now of the full Edmund Davies Committee pay award to police.

Mr. Whitelaw had already committed himself in the Commons to give the full pay increase "without delay," Mr. Jardine said.

In July last year the committee recommended increases of up to 40 per cent, and the Government decided to pay this in two halves, from September, 1978, to September this year.

## Sub-postmasters threaten action

INDUSTRIAL action by 20,000 sub-postmasters angry at their exclusion from a £45m Post Office productivity scheme "would be regrettable," Mr. Ron Ratcliffe, their national president, said yesterday.

But he told the National Federation of Sub-Postmasters' annual conference at Douglas, Isle of Man, that a "shortfall" in their standard of living "has got to be made good."

## Farm workers want more than double

BY OUR LABOUR STAFF

FARM WORKERS gave advance warning to the new Government yesterday that they will be demanding more than double their present wages when they submit their annual pay claim next September.

Mr. Jack Boddy, general secretary of the National Union of Agricultural and Allied Workers, also told a May Day rally in Ipswich that the union would be presenting the Agricultural Wages Board with a claim for a 35-hour-week and a fourth week's annual holiday.

Mr. Boddy said the £100-a-week claim represented what farm workers ought to get and "not a carefully worked out minimum which would avoid offending farm workers."

The 85,000-strong union last year accepted an average 13 per cent increase in earnings, taking the minimum basic rate to £48.50 a week.

The award directly covered 135,000 farm workers in England and Wales but also set the pace for increases in allied areas.

Thousands of the union's members were said to be living on wages below the poverty line. Farm workers were the largest single occupational group claiming family income supplement.

## Teachers will step up pay protest today

TEACHERS WILL step up their pay protest today. Already many schools have been forced to close early because of withdrawal of good will by the National Union of Teachers.

Headmasters think the number will increase dramatically when the second biggest teachers' union, the National Association of Schoolmasters-Union of Women Teachers, imposes a five-hour day.

This will mean walk-outs by members of the 115,000-strong union and could disrupt examinations.

Mr. Mark Carlisle, the new Education Secretary, has said talks will resume "as soon as possible." The teachers, offered 9 and claiming 36.5 per cent, began sanctions when Mrs. Shirley Williams, Labour's Education Secretary before the Election, froze negotiations.

# BUSINESSMAN'S DIARY

## UK TRADE FAIRS AND EXHIBITIONS

| Date | Title | Venue |
|---|---|---|
| May 8—10 ........ | London Laboratory Exhibition (01-855 7777) | West Centre Hotel |
| May 8—13 ........ | Photo World '79 (01-935 8200) | Olympia |
| May 9—11 ........ | Environmental Engineering Today International Exhibition and Symposium (Royston 71209) | Wembley Conference Centre |
| May 10—12 ...... | EIA Angics '79 Engineering Exhibition (01-222 2367) | Royal Norfolk Showground, Norwich |
| May 12—19 ...... | Antiques Fair (04868 22562) | Pavilion Gardens, Buxton |
| May 13—16 ...... | National Meat Trades Fair (01-637 2400) | Exhibition Centre, Harrogate |
| May 13—16 ...... | Sunday Times Business to Business Exbn. (01-407 4046) | Earls Court |
| May 15—17 ...... | Coventry Engineering Exhibition (0203 51777) | Hotel Leofric |
| May 15—17 ...... | The All-Electronics/Seminex Show (Saffron Walden 22612) | Assembly Rooms, Edinburgh |
| May 16—20 ...... | Boat Show (0322 54511) | Brighton Marina |
| May 23—26 ...... | The Midlands Breadboard '79 (0822 4671) | Bingley Hall, Birmingham |
| May 23—June 10. | USSR National Exhibition (01-637 2400) | Earls Court |

## OVERSEAS TRADE FAIRS AND EXHIBITIONS

| | | |
|---|---|---|
| Current ........... | 28th Casablanca Intnl. Trade Fair (01-584 8827) (until May 13) | Morocco |
| Current ........... | International Trade Fair (until May 13) | Brussels |
| May 7—11 ......... | National Industrial Production and Machine Tool Show (021 454 6171) | Toronto |
| May 8—11 ......... | Interclean Trade Fair (01-228 2880) | Amsterdam |
| May 10—26 ....... | Man and His Environment Exhibition | Tel Aviv |
| May 15—18 ....... | SITEV—Automotive Original Equipment and Components Exhibition (01-235 7000) | Geneva |
| May 14—19 ...... | International Surface Treatment and Industrial Finishing Exhibition (01-439 3964) | Paris |
| May 21—25 ...... | British Machine Tools Exhibition and Seminar (01-215 7877) | Seoul |
| May 28—June 1... | World Inland Waterways and Ports Development Exhibition (St. Albans 63213) | Strasbourg |
| June 6—16 ...... | All-British Energy Exhibition (021-705 6707) | Peking |
| June 8—July 1... | International Transport Exhibition (IVA '79) (02013 4450) | Hamburg |
| June 9—17 ...... | 33rd International Aeronautics and Space Exhibition (01-439 3964) | Paris |
| June 10—19 ...... | International Technical Goods Fair (01-215 7877) | Poznan |

## BUSINESS AND MANAGEMENT CONFERENCES

| | | |
|---|---|---|
| May 8—10 ......... | Crown Eagle Communications: UK Government Contracts (01-636 0617) | London Hilton |
| May 9—10 ......... | AMR International: Multi-Currency Asset Management (01-262 2732) | Press Centre, EC4 |
| May 11 ............ | InComTec: Industrial Relations Law and Its Likely Changes (Camberley 62677) | London Hilton |
| May 13—19 ...... | Lloyds of London Press: Marine Insurance (01-353 1000) | Tower Hotel, E1 |
| May 14—15 ...... | Robert S. First: Single-Use Hospital Products in Europe | Dusseldorf Hilton |
| May 14—18 ...... | Brunel Management: Organizing Effectively (Uxbridge 56461) | Uxbridge |
| May 14—18 ...... | IPM: Selecting the Right Candidate (01-387 2844) | Whites Hotel, W2 |
| May 14—18 ...... | ICMA: Marketing and the Management Accountant (01-637 2311) | The Crown Hotel, Harrogate |
| May 15 ............ | Conference Connection: Don't Retire-Regenerate (01-727 0554) | Cavendish Conference Centre |
| May 15 ............ | CCC: Partnership Taxation (01-222 6362) | Europa Hotel, W1 |
| May 15 ............ | National Materials Handling Centre: Urban Distribution—Strategy for the future (Bedford 750323) | Newgate St., EC1 |
| May 15—16 ...... | IMechE: Cooling with Sea Water (01-222 7899) | Birdcage Walk, SW1 |
| May 16 ............ | RRG: Captive Insurance Companies 1979 (01-236 2175) | Tower Hotel, E1 |
| May 16 ............ | Institute of Management Services: Word Processing in Local Government (01-363 7452) | Falaise Hall, Hastings |
| May 16 ............ | IMRA: Qualitative Techniques in Industrial Market Research (Lichfield 23448) | Kensington Palace Hotel, W8 |
| May 16 ............ | ASM: Current Cost Accounting—The Proposed New Standard (01-385 1992) | Piccadilly Hotel, W1 |
| May 16 ............ | The Institution of Production Engineers: Minis and Micros in Manufacturing (01-579 9411) | Excelsior Hotel, Paisley |
| May 17—18 ...... | Eurotech: Office Design, Layout Landscaping and Equipment (0252 313066) | Sheraton Park Tower Hotel, SW1 |
| May 17 ............ | Inbucon: Productivity Measurement in the 1980s (01-353 3651) | Manchester Business School |
| May 17 [illegible] | CAET: Profitability in the Hotel and Catering Industry (01-580 7179) | Cafe Royal, W1. |
| May 20—25 ...... | University of Bradford Management Centre: Product Management (Bradford 42299) | Heaton Mount, Bradford |
| May 20—26 ...... | IOD/Tavistock Institute: International Workshop—Rethinking and Planning for Organizational Effectiveness (01-435 7111) | Lucerne |
| May 21—22 ...... | ESC: International Micro-Electronics in Education Congress (057282 2711) | Hilton Hotel, W1 |
| May 21—25 ...... | The Institute of Chartered Accountants in England and Wales: Financial Management (01-628 7060) | High Wycombe |

## WORLD VALUE OF THE POUND

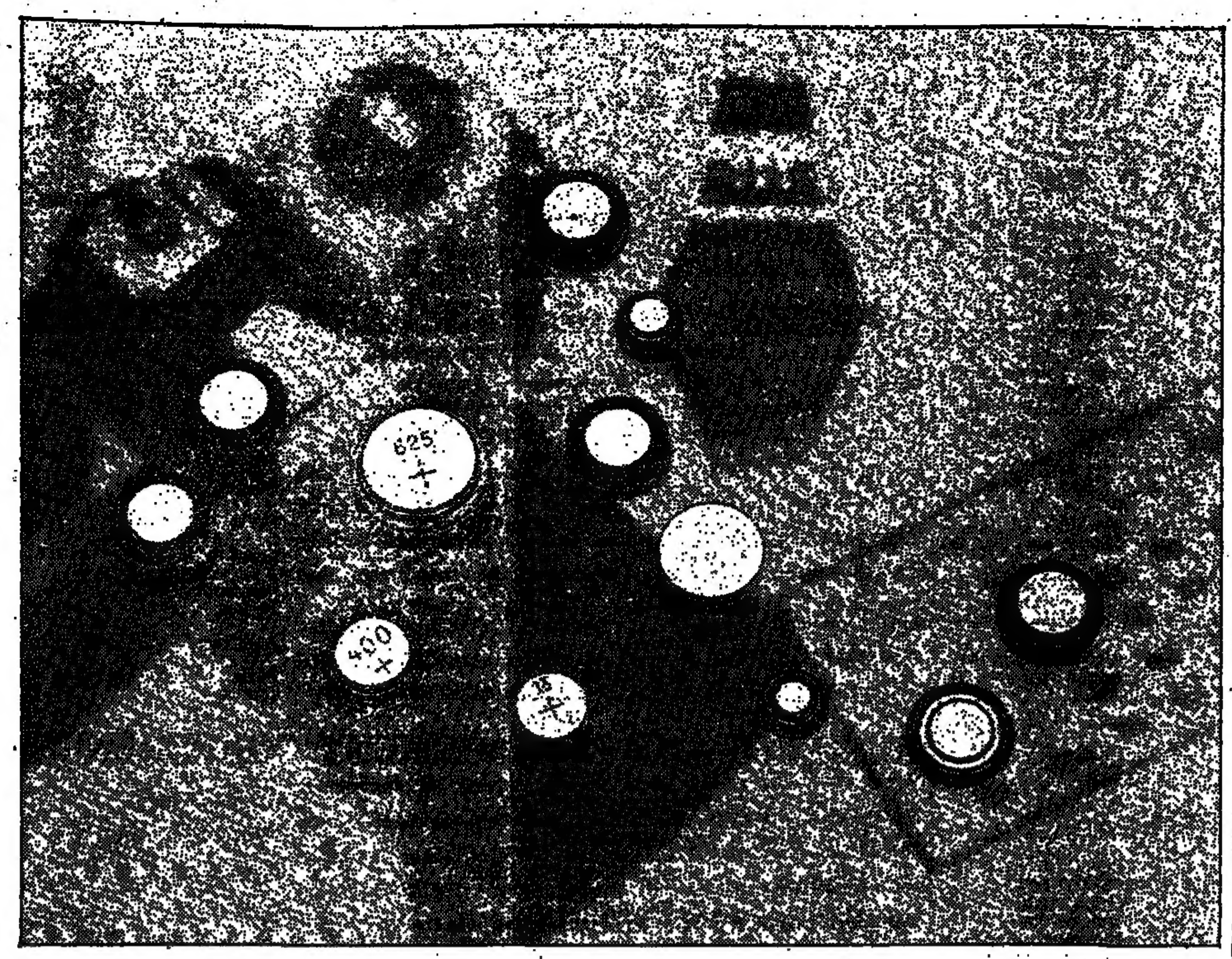
The table below gives the latest available rates of exchange for the pound against various currencies on May 4, 1979. In some case rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange in the UK and most of the countries listed is officially controlled and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rate; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

| PLACE AND LOCAL UNIT | | VALUE OF £ STERLING |
|---|---|---|
| fghanistan | Afghani | 90.00 |
| lbania | Lek | 10.140 |
| lgeria | Dinar | 7.9564 |
| ndorra | French Franc | 9.095 |
| | Spanish Peseta | 137.20 |
| ngola | Kwanza | 60.118 |
| ntigua (S) | E. Caribbean $ | 5.61 |
| rgentina | Ar. Peso Free Rate | 2522 |
| ustralia (S) | Australian $ | 1.8820 |
| ustria | Schilling | 28.995 |
| zores | Portug. Escudo | 101.85 |
| ahamas (S) | Ba. Dollar | 2.0780 |
| angladesh (S) | Taka | 31.89 (sg) |
| ahrain (S) | Dinar | n.a. |
| alearic Isles | Spa. Peseta | 137.20 |
| arbados (S) | Babados $†† | 4.156 |
| elgium | B. Franc | (cm) 62.95 |
| | | (fn) 64.55 |
| elize | B $ | 4.156 |
| enin | C.F.A. Franc | 454¾ |
| ermuda (S) | Bda $ | 2.0780 |
| hutan | Indian Rupee | 17.209 (sg) |
| olivia | Bolivian Peso | 41.56 |
| otswana (S) | Pula | 1.7209 |
| razil | Cruzeiro ‡‡ | 49.205 |
| rit. Virgin Isles (S) | U.S. $ | 2.0780 |
| runei (S) | Brunei $ | 4.585 |
| lgaria | Lev | 1.8113 |
| rma | Kyat | 13.9789 |
| rundi | Burundi Franc | 186.115 |
| ameroon Repub'c | C.F.A. Franc | 454¾ |
| anada | Canadian $ | 2.3870 |
| anary Islands | Spanish Peseta | 137.20 |
| ape Verde Isle | Cape V. Escudo | 75.868 |
| yman Islands (S) | Cay. Is. $ | 1.7316 |
| ent. African Rep. | C.F.A. Franc | 454¾ |
| had | C.F.A. Franc | 454¾ |
| hile | C. Peso | (Bk) 74.76 |
| hina | Renminbi Yuan | 3.2767 |
| olombia | C. Peso | (F) 88.04 |
| omoro Islands | C.F.A. Franc | 454¾ |
| ongo (Braz'ville) | C.F.A. Franc | 454¾ |
| osta Rica | Colon | 17.87 |
| uba | Cuban Peso | 1.5162 |
| yprus (S) | Cyprus £ | 0.7490 |
| zechoslovakia | Koruna | (com) 11.45 |
| | | n/c 22.78 |
| | | (T) 19.25 |
| enmark | Danish Krone | 11.0725 |
| jibouti | Fr. | 545.0 |
| ominica (S) | E. Caribbean $ | 5.61 |
| ominican Repub. | Dominican Peso | 2.0780 |
| cuador | Sucre | (O) 57.61 |
| | | (F) 88.51 |
| gypt | Egyptian £ | (U) 1.4025 |
| quatorial Guinea | Peseta | 137.20 |
| thiopia | Ethiopian Birr | (P) 4.3063 |
| alkland Islands (S) | Falkland Is. £ | 1.0 |
| aro Islands | Danish Krone | 11.0725 |
| iji Islands | Fiji $ | 1.7565 |
| inland | Markka | 8.3125 |
| rance | French Franc | 9.095 |
| renchC'tyinAf* | C.F.A. Franc | 454¾ |
| rench Guiana | Local Franc | 9.095 |
| rench Pacific Is. | C.F.P. Franc | 165.36 |
| abon | C.F.A. Franc | 454¾ |
| ambia (S) | Dalasi | 4.0 |
| ermany (East) | Ostmark | 3.95 |
| ermany (West) | Deutsche Mark | 3.95 |
| hana (S) | Cedi | 5.71 (sg) |
| ibraltar (K) | Gibraltar £ | 1.0 |
| ilbert Islands | Australian $ | 1.8820 |
| reece | Drachma | 77.306 |
| Greenland | Danish Kroner | 11.0725 |
| Grenada (S) | E. Caribbean $ | 5.61 |
| Guadaloupe | Local Franc | 9.095 |
| Guam | U.S. $ | 2.0780 |
| Guatemala | Quetzal | 2.0780 |
| Guinea Republic | Sily | 40.29 |
| Guinea Bissau | | 71.82 |
| Guyana (S) | Guyanese $ | 5.2999 |
| Haiti | Gourd | 10.39 |
| Honduras Repub. | Lempira | 4.17 |
| Hong Kong (S) | H.K. $ | 10.48 |
| Hungary | Forint | (com) 73.61 |
| | | (T/nc) 42.06 |
| Iceland (S) | I. Krona | 682.50 |
| India (S) | Ind. Rupee | 17.075 |
| Indonesia | Rupiah | 1298.75 |
| Iran | Rial | 150.5 |
| Iraq | Iraq Dinar | 0.6061 |
| Irish Republic (k) | Irish £ | 1.0360 |
| Israel | Israel £ | 47.3971 |
| Italy | Lira | 1759 |
| Ivory Coast | C.F.A. Franc | 454¾ |
| Jamaica (S) | Jamaica Dollar | 3.6157 |
| Japan | Yen | 459 |
| Jordan (S) | Jordan Dinar | 0.623 (sg) |
| Kampuchea | Riel | 2493.6 |
| Kenya (S) | Kenya Shilling | 15.715 |
| Korea (Nth) | Won | 1.77 (!) |
| Korea (Sth) | Won | 1004.79 |
| Kuwait (Sth) | Kuwait Dina | 0.561 |
| Laos | Kip Pot Po | 831.2 |
| Lebanon | Lebanese £ | 6.6672 |
| Lesotho | S. African Rand | 1.7550 |
| Liberia | Liberian $ | 2.0780 |
| Libya | Libyan Dinar | 0.6151 |
| Liechtenstein | Swiss Franc | 3.5775 |
| Luxembourg | Lux Franc | 62.95 |
| Macao | Pataca | 11.180 |
| Madeira | Portug'se Escudo | 101.85 |
| Malagasy Republic | MG Franc | 454¾ |
| Malawi (S) | Kwacha | 1.7150 |
| Malaysia (S) | Ringgit | 4.625 |
| Maldive Islands (S) | Mal Rupee | 8.1665 |
| Mali Republic | Mali Franc | 909.5 |
| Malta (S) | Maltese £ | 0.7620 |
| Martinique | Local Franc | 9.095 |
| Mauritania | Ouguiya | 90.750 |
| Mauritius (S) | M. Rupee | 12.5916 |
| Mexico | Mexican Peso | 47.40 |
| Miquelon | C.F.A. Franc | 454¾ |
| Monaco | French Franc | 9.095 |
| Mongolia | Tugrik | (O) 5.867 (!) |
| Monserrat | E. Caribbean $ | 5.61 |
| Morocco | Dirham | 8.13 (sg) |
| Mozambique | Moz. Escudo | 65.096 |
| Nauru | Australian Dollar | 1.8820 |
| Nepal | Nepalese Rupee | 24.936 |
| Netherlands | Guilder | 4.2875 |
| NetherlandAntilles | Antillian Guilder | 3.7196 |
| New Hebrides | Franc. | 146.989 |
| | Aust. Dollar | 1.8820 |
| New Zealand (S) | N. Z. Dollar | 1.9840 |
| Nicaragua | Cordoba | 20.75 |
| Niger Republic | C. F. A. Franc | 454¾ |
| Nigeria (S) | Naira | 1.2737 (sg) |
| Norway | Norway Krone | 10.74 |
| Oman Sul'ate of (S) | Rial Omani | 0.720 |
| Pakistan | Pakistan Rupee | 20.48 |
| Panama | Balboa | 2.0780 |
| Papua N. Guinea (S) | Kina | 1.4960 |
| Paraguay | Guarani | 258.96 |
| Peoples D. Repub. of Yemen (S) | S. Yemen Dinar | (A) 0.7096 |
| Peru | Sol | exc (A) 445.79 |
| Philippines | Philippine Peso | 15.332 |
| Pitcairn Islands (S) | £ Sterling | — |
| | New Zealand $ | 1.9840 |
| Poland | Zloty | (Cm) 63.38 |
| | | (T) 63.38 |
| Portugal | Portugu'se Escudo | 101.85 |
| Port Timor | Timor Escudo | 101.85 |
| Principe Islands | Portugu'se Escudo | 101.85 |
| Puerto Rico | U.S. $ | 2.0780 |
| Qatar (S) | Qatar Ryal | N.A. |
| Reunion Ile de la | French Franc | 9.095 |
| Rhodesia | Rhodesian $ | 1.4410 |
| Romania | Leu | (Cm) 9.07 |
| | | (c/c) T 24.35 |
| Rwanda | Rwanda Franc | 193.26 |
| St. Christopher (S) | E. Caribbean $ | 5.61 |
| St. Helena | St. Helena £ | 1.0 |
| St. Lucia | E. Caribbean $ | 5.61 |
| St. Pierre | C.F.A Franc | 454¾ |
| St. Vincent (S) | E. Caribbean $ | 5.61 |
| Salvador El | Colon | 5.19 |
| Samoa American | U.S. $ | 2.0780 |
| San Marino | Italian Lire | 1,759. |
| Sao Tome | Portugese Escudo | 101.85 |
| Saudi Arabia | Ryal | 7.04 |
| Senegal | C.F.A. Franc | 454¾ |
| Seychelles | S. Rupee | 13.33 |
| Sierre Leone (S) | Leone | 2.2196 |
| Singapore (S) | Singapore $ | 4.565 |
| Solomon Islands (S) | Solomon Is. $ | 1.8891 |
| Somali Republic | Somali Shilling | (A) 13.081 |
| South Africa (S) | Rand | 1.7550 |
| South West African Territories (S) | S. A. Rand | 1.7550 |
| Spain | Peseta | 137.20 |
| Spanish ports in North Africa | Peseta | 137.20 |
| Sri Lanka (S) | S. L. Rupee | 31.91 |
| Sudan Republic | Sudan £ | (A) 0.8312 |
| Surinam | S. Guilder | 3.7196 |
| Swaziland (S) | Lilangeni | 1.7550 |
| Sweden | S. Krona | 9.14 |
| Switzerland | Swiss Franc | 3.5775 |
| Syria | Syria £ | (A) 8.156 |
| Taiwan | New Taiwan | (P) 74.81 |
| Tanzania (S) | Tan. Shilling | 16.90 |
| Thailand | Baht | 41.9825 (sg) |
| Togo Republic | C.F.A. Franc | 454¾ |
| Tonga Islands (S) | Pa'anga | 1.8891 |
| Trinidad (S) | Trinidad & Tob' $ | 4.9872 |
| Tunisia | Tunisian Dinar | 0.840 (sg) |
| Turkey | Turkish Lira | 50.10 |
| Turks & Caicos | U.S. $ | 2.0780 |
| Tuvalu | Australian $ | 1.8820 |
| Uganda (S) | Uganda Shilling | n.a. |
| United States | U.S. Dollar | 2.0780 |
| Uruguay | Uruguay Peso | (cm) 15.81 |
| | | (fn) 15.84 |
| Utd. Arab Emirates | U.A.E. Dirham | N.A. |
| U.S.S.R. | Rouble | 1.39 |
| Upper Volta | C.F.A. Franc | 454¾ |
| Vatican | Italian Lire | 1759 |
| Venezuela | Bolivar | 8.91 |
| Vietnam | Dong | (O) 4.63 |
| | | (T) 4.070 (!) |
| Virgin Islands U.S. | U.S. Dollar | 2.0780 |
| Western Samoa (S) | Samoan Tala | 1.5136 |
| Yemen | Ryal | 9.43 (sg) |
| Yugoslavia | New Y Dinar | 39.8780 |
| Zaire Republic | Zaire | 2.206019 |
| Zambia | Kwacha | 1.65 |

* That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron ports 87.276. Based on gross rates against Russian rouble. ** Rate is the Transfer market (controlled). †† Rate is now based on 2 Barbados £ to the dollar. Now one official rate. (U) Unified Rate. Applicable on all transactions except countries having a bilateral agreement with Egypt, and are not members of IMF.








# PHOTOGRAPHIC EQUIPMENT — BUYERS GUIDE

## *Amateur market is thriving*

GLYN GENIN, PICTURES EDITOR

SPENDING ON equipment, film and processing in the thriving amateur photographic market topped £340m last year, against £145m five years ago.

Inflation has, of course, been responsible for a large proportion of increased turnover, but industry estimates put the real growth of the photographic market at between 7 and 8 per cent a year. Equipment, both still and movie cameras and accessories, accounted for approximately £95m of the 1978 total.

Here the photographer is faced with a bewildering choice. From the simplest to the most sophisticated, cameras have certainly come a long way since the Box Brownie with its fiddly film loading and tiny viewfinder.

Kodak, which introduced cartridge-loaded 110 film and a range of truly pocket-sized cameras some years back, still dominates the "snap-shot" end of the market. Kodak pocket Instamatics, and 110-format cameras produced by other manufacturers such as Fujica, are often sold in boxed outfits complete with flash and film. Asahi Pentax, best known for its top-quality 35 mm cameras, has just introduced a 110-format single lens reflex, the Pentax Auto 110, which raise the 110 format way above the "snap-shot" level.

This precision engineered camera has an electronic shutter and automatic exposure control, accepts interchangeable lenses, and even has an electric film winder. The complete outfit is not cheap—around £300—but the camera produces crisp and well-defined results, worthy of the serious photographer.

A number of cameras now incorporate automatic focusing as well as automatic expsoure control. The Konica C35AF, now selling for around £120, was the first. But other Japanese manufacturers—Fujica and Chinon, for example—are in the market.

The subject is simply lined up in the viewfinder, and as the shutter release is pressed a small motor built into the camera automatically sets the lens to the corret focus distance—all in hundredths of a second.

Fully automatic focusing is also available on instant-picture cameras. Polaroid has two models with autofocus control. You can buy a Kodak or Polaroid "instant" camera for about £25 which produces absolutely dry full colour prints in about a minute without anything messy to tear off and throw away.

Most serious photographers, however, tend to use the 35mm single lens reflex, and here the choice is extremely wide, with the major brands—Nikon, Pentax, Canon, Olympus, Leica, Minolta, Fujica, Yashica—vying with lesser known own-brands marketed by the photographic chains. No wonder many serious amateurs—with little chance of trying out competing products before they buy—are bemused.


The Asahi Pentax auto 110, complete with power winder and automatic electronic flash—less than a fistful.

The choice does not end there. Lens manufacturers produce optics of every description for the various camera sytems. Movie cameras have come a long way too since the 8mm clockwork models of a few years back.

They are usually fitted with a zoom lens, automatic exposure control, reflex (sighting-through-the lens) viewfinder and a number now have automatic focusing. Film threading has disappeared and all 8mm cameras now use cartridge-loaded film which is simply dropped in and ready to go.

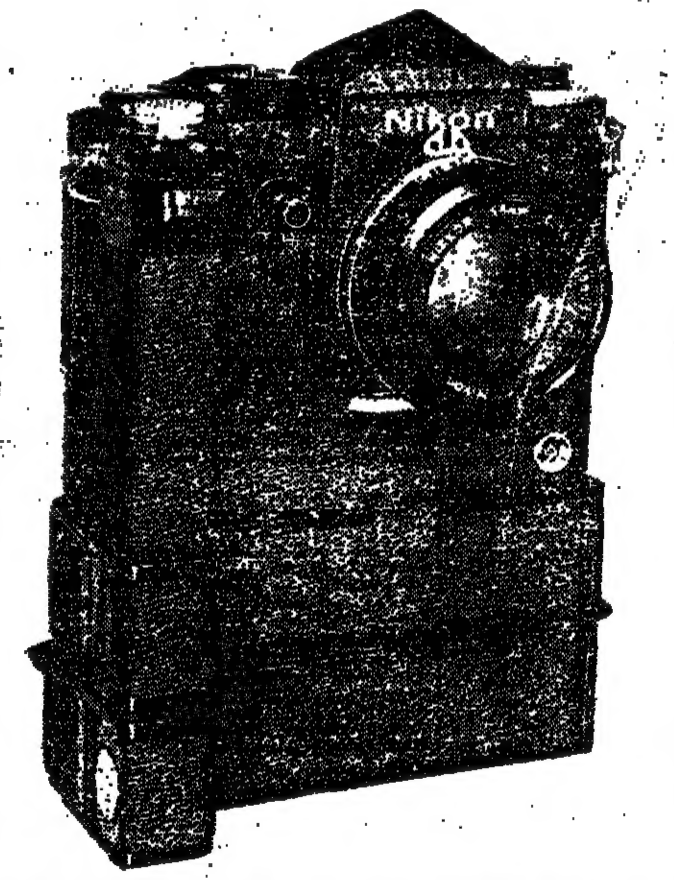
Silent movies are a thing of the past and sound cameras now outnumber the silent. No longer is it necessary to use a separate tape recorder. Sound cameras have the necessary recording heads built in, and record sound direct on to a narrow "tape" stripe, bonded along one edge of the film, as it passes through the camera. Both picture and sound are replayed in perfect synchronisation when the film is shown on a sound projector. These also have facilities for adding background music, a commentary, superimposition and other "trick" effects to add to the sound track.

Amateur photographers spent £80m on film in the past year, a growth of 10 per cent on 1977. As recently as 1965 the number of black and white films used by amateurs accounted for over two-thirds of all films used—by 1973 they acounted for less than a fifth. In a market dominated by Kodak, 1978 saw colour negative film—the sort that produces prints—accounting for three quarters of the still film used by amateurs.

Films have undergone considerable improvements in recent years. Colour negative films and colour reversal films for colour slides are all capable of very high quality faithful reproduction. Some of them are so "fast" as to be able to take pictures under normal lighting indoors.

Once taken, the pictures have to be processed, and while many keen amateurs develop their own films and even produce colour prints in home darkrooms. The bulk of film and prints are processed commercially.

This service accounted for just under half—£165m—of 1978 expenditure on photography. With better weather to come, we hope the photographic trade is looking forward to another record year.




Nikon cameras have long been the choice of professional photographers. The Nikon F2H, pictured here, with titanium chassis parts, boasts the world's fastest motor drive, a speed range as fast as ten frames a second.

## *Shop window at Olympia*

PHOTOGRAPHY IS Britain's largest creative hobby, and the first national photographic and movie exhibition to be held in London for nearly a decade, the PhotoWorld '79 Exhibition, will open at Olympia next Tuesday until Sunday, May 13.

Leading manufacturers and suppliers will be taking part in the show, which has been planned as a comprehensive "shop window" for the general public of the latest camera, home movie, film and accessory developments. In addition to manufacturers' stands the exhibition will include numerous special features, competitions and practical demonstrations, including studio areas where visitors can meet and learn from the country's leading still and cine photographers.

One of the most important features of PhotoWorld '79, around which the show is being built, will be a unique "Achievements of Photography" exhibition which will trace the history of photography over the past 150 years and include many photographs and items of equipment on show for the first time to the public. This exhibition, which is being organised by the Daily Express in conjunction with the Royal Photographic Society, will form the basis of Britain's first National Photographic Centre to be opened in Bath in the early 1980s.

According to Kenneth Warr, secretary of the Royal Photographic Society: "It is our intention in this exhibition to demonstrate to the public at large the development of photography and the significant part it has played in making our lives what they are today. Equipment used by the earliest photographic pioneers, together with many of the world's most famous photographs, will be included in the exhibition alongside the latest — and future — developments in medical, space, aerial and underwater photography."

Another Photoworld feature is a special PhotoGrafitti Competition where visitors to the show will be able to bring along their favourite photographs and have them displayed in a "Grafitti Gallery." Photographs—on any subject—will be displayed for a day and judged each evening by a panel of photographers, industry and show business personalities who will award prizes on the spot of cameras and accessories for the best pictures.

Photographers will also be able to try their hand at "glamour" photography. The Daily Star, Manchester's answer to The Sun, is to run a "Star Studio" throughout the six days of the show. Throughout the exhibition visitors to the Daily Star stand will be able to take photographs of the paper's "Star–Birds" and learn how to take a better picture with advice and guidance from press photographers.

Eager young enthusiasts among the large crowd outside No. 10 Downing Street are in a good position to photograph Mrs. Margaret Thatcher as she returns from Buckingham Palace to take her place as Britain's first woman Prime Minister.

# FT Monthly Survey of Business Opinion



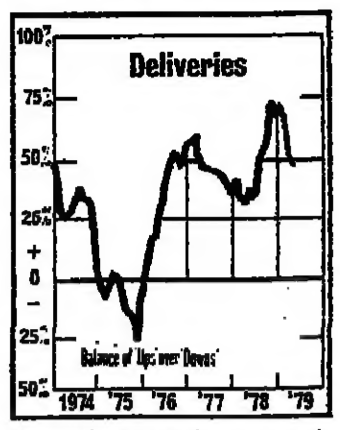
## GENERAL OUTLOOK

### Confidence stops falling

THE STEADY decline in business confidence from the beginning of the year levelled off in April. The main factors in halting the decline were hopes for a Conservative victory and a lower level of industrial disputes than expected.

Last month's survey included new interviews with companies in the non-electrical engineering sector, brewers and distillers and paper and packaging.

The index for optimism about the UK economy, which had been falling, recovered slightly. This was largely the result of a few companies saying the possibility of a favourable result in the General Election would offset other negative economic factors.




All three sectors were less inclined to report increased deliveries than they had been last December, so this index continued the fall started in January. The common factors affecting deliveries were the bad winter weather and the January transport strike.

Both the engineering and paper and packaging sectors were less inclined to say they expected their exports to increase over the next 12 months than they had been last December. Even though the brewers and distillers expected an increase, this was not sufficient to prevent a further fall in the export-weighted index.

**GENERAL BUSINESS SITUATION**

| Are you more or less optimistic about your company's prospects than you were four months ago ? | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Oct.-Jan. % | Eng'g. (non-elect.) % | Brews. % | Paper & Packaging % |
|---|---|---|---|---|---|---|---|
| | 4 monthly moving total | | | | April 1979 | | |
| More optimistic | 32 | 31 | 31 | 25 | 23 | 34 | 59 |
| Neutral | 33 | 35 | 43 | 55 | 43 | 61 | 25 |
| Less optimistic | 35 | 34 | 26 | 20 | 34 | 5 | 16 |

**EXPORT PROSPECTS (Weighted by exports)**

| Over the next 12 months exports will be: | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Oct.-Jan. % | Eng'g. (non-elect.) % | Brews. % | Paper & Packaging % |
|---|---|---|---|---|---|---|---|
| | 4 monthly moving total | | | | April 1979 | | |
| Higher | 57 | 61 | 67 | 71 | 68 | 90 | 40 |
| Same | 34 | 30 | 22 | 21 | 32 | 10 | 42 |
| Lower | 9 | 9 | 10 | 6 | — | — | 18 |
| Don't know | — | — | 1 | 2 | — | — | — |

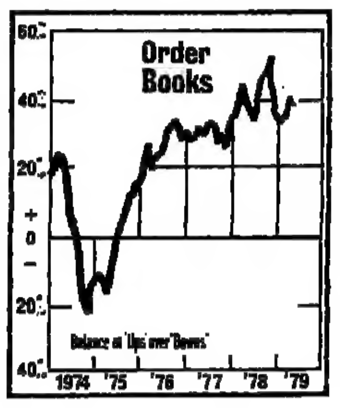
## ORDERS AND OUTPUT

### Pick-up in demand

SIGNS OF a pick-up in demand were evident in a rise in new orders over the last four months, as well as an expected increase in turnover and sales in the coming 12 month period.

All three sectors said that orders were higher than during the corresponding period in 1978. The index covering this moved up sharply.

In engineering, new products were boosting some companies' deliveries and there was said to be some increase in demand for machine tools. In the other two sectors price increases and higher consumer spending were cited as factors.




Optimism over the level of turnover over the next 12 months was at its highest point since the middle of 1977. Both the brewing and distilling and paper and packaging sectors expected greater median increases in their turnovers, and the index for the median expected rise improved from 7 per cent to 7.4 per cent.

The overall order book picture was unchanged, although within the total falls in the engineering and paper and packaging sectors were offset by increases among brewers and distillers.

**NEW ORDERS**

| The trend of new orders in the last four months was : | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Oct.-Jan. % | Eng'g. (non-elect.) % | Brews. % | Paper & Packaging % |
|---|---|---|---|---|---|---|---|
| | 4 monthly moving total | | | | April 1979 | | |
| Up | 59 | 50 | 49 | 54 | 68 | 84 | 54 |
| Same | 13 | 14 | 16 | 11 | 1 | 5 | 20 |
| Down | 15 | 15 | 14 | 12 | 31 | — | 17 |
| No answer | 13 | 21 | 21 | 23 | — | 11 | 9 |

**PRODUCTION/SALES TURNOVER**

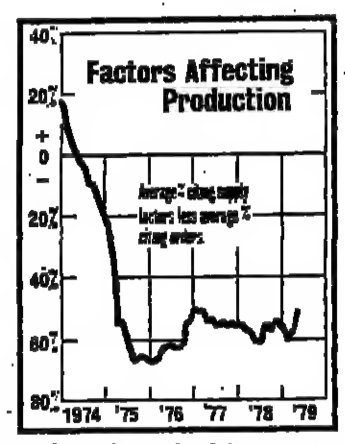
| Those expecting production/sales turnover in the next 12 months to : | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Oct.-Jan. % | Eng'g. (non-elect.) % | Brews. % | Paper & Packaging % |
|---|---|---|---|---|---|---|---|
| | 4 monthly moving total | | | | April 1979 | | |
| Rise over 20% | 9 | 6 | 3 | 4 | 12 | 22 | — |
| Rise 15-19% | 8 | 8 | 11 | 10 | — | 11 | — |
| Rise 10-14% | 20 | 19 | 15 | 10 | — | 28 | 34 |
| Rise 5-9% | 20 | 21 | 21 | 23 | 40 | 11 | 29 |
| About the same | 37 | 36 | 31 | 32 | 48 | 28 | 29 |
| Fall 5-9% | 1 | 1 | - 1 | — | — | — | — |
| No comment | 5 | 9 | 18 | 21 | — | — | 8 |

## CAPACITY AND STOCKS

### Output closer to plan

THE INDEX covering the extent to which industry was working to capacity recovered nearly all the lost ground of last month. Both the engineering and paper and packaging sectors were more inclined to say they were working at planned output levels or above than they had been last December.

There was little change in the overall level of expected stocks and bought-in supplies. While the paper and packaging sector was more inclined to expect stocks to fall, the engineering group expected an increase. However, there were some indications that stocks of manufactured goods might fall over the next 12 months.




There was a sharp reduction in the number of times companies mentioned home and export sales as a constraint on output.

In the brewing and distilling and paper and packaging sectors there was a greater inclination to mention labour disputes, either in their own or suppliers' organisations, and some increase in the number of companies which mentioned shortages of manual labour.

The survey notes that if this trend continues it would suggest that demand as opposed to supply constraints on output are beginning to become less important.

**CAPACITY WORKING**

| | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Oct.-Jan. % | Eng'g. (non-elect.) % | Brews. % | Paper & Packaging % |
|---|---|---|---|---|---|---|---|
| | 4 monthly movin~ total | | | | April 1979 | | |
| Above capacity | 10 | 12 | 9 | 8 | 11 | — | 4 |
| Planned output | 67 | 62 | 70 | 67 | 83 | 95 | 79 |
| Below target capacity | 22 | 25 | 19 | 22 | 6 | 5 | 17 |
| No answer | 1 | 1 | 2 | 3 | — | — | — |

**STOCKS**

| | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Oct.-Jan. % | Eng'g. (non-elect.) % | Brews. % | Paper & Packaging % |
|---|---|---|---|---|---|---|---|
| | 4 monthly moving total | | | | April 1979 | | |
| Raw materials and components over the next 12 months will : | | | | | | | |
| Increase | 41 | 42 | 36 | 34 | 46 | 33 | 4 |
| Stay about the same | 47 | 42 | 45 | 49 | 47 | 67 | 75 |
| Decrease | 8 | 8 | 7 | 3 | 2 | — | 21 |
| No comments | 4 | 8 | 12 | 14 | 5 | — | — |
| Manufactured goods over the next 12 months will : | | | | | | | |
| Increase | 30 | 32 | 25 | 25 | 23 | 17 | — |
| Stay about the same | 43 | 39 | 47 | 43 | 41 | 72 | 46 |
| Decrease | 9 | 8 | 7 | 5 | 23 | — | 29 |
| No comments | 18 | 21 | 21 | 27 | 13 | 11 | 25 |

**FACTORS CURRENTLY AFFECTING PRODUCTION**

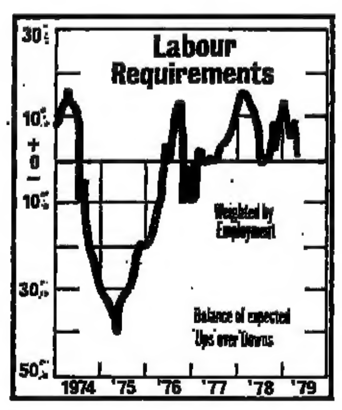
| | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Oct.-Jan. % | Eng'g. (non-elect.) % | Brews. % | Paper & Packaging % |
|---|---|---|---|---|---|---|---|
| | 4 monthly moving total | | | | April 1979 | | |
| Home orders | 76 | 81 | 79 | 79 | 75 | 55 | 54 |
| Export orders | 54 | 60 | 67 | 63 | 54 | 39 | 46 |
| Executive staff | 16 | 16 | 19 | 19 | — | — | 4 |
| Skilled factory staff | 26 | 27 | 27 | 42 | 53 | — | 29 |
| Manual Labour | 14 | 10 | 12 | 12 | — | 22 | 34 |
| Components | 2 | 3 | 4 | 4 | — | — | — |
| Raw materials | 11 | 12 | 14 | 9 | 11 | 22 | — |
| Production capacity (plant) | 13 | 11 | 4 | 4 | — | 22 | 4 |
| Finance | 1 | 1 | 1 | 1 | — | — | — |
| Others | 10 | 10 | 7 | 9 | 12 | 22 | 8 |
| Labour disputes | 27 | 18 | 26 | 26 | 36 | 78 | 54 |
| No answer/no factor | 3 | 3 | 5 | 3 | — | — | 17 |

## INVESTMENT AND LABOUR

### Fewer new jobs expected

THE INDEX for labour requirements dropped back last month with all three sectors becoming more inclined to expect their labour force to decline over the next 12 months. The index has now dropped back to the point at which companies expecting to increase their workforce are roughly balanced by those expecting a decrease.

There was little change in the pattern of factors affecting the number of employees. The predominant factors were those associated with the supply of labour, although there was




slightly more emphasis last month on restrictions caused by product demand.

Investment plans were lower than previously, with both the engineering and paper and packaging sectors less inclined to expect their capital expenditure plans to increase over the next 12 months.

Brewers and distillers in their conventionally weighted form also showed a smaller inclination to expect capital expenditure to increase, but when weighted by the previous year's capital investment, there was little, if any, change.

**LABOUR REQUIREMENTS (Weighted by employment)**

| Those expecting their labour force over the next 12 months to : | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Oct.-Jan. % | Eng'g. (non-elect.) % | Brews. % | Paper & Packaging % |
|---|---|---|---|---|---|---|---|
| | 4 monthly moving total | | | | April 1979 | | |
| Increase | 21 | 26 | 27 | 30 | 7 | 2 | 3 |
| Stay about the same | 38 | 57 | 51 | 53 | 44 | 98 | 66 |
| Decrease | 20 | 17 | 22 | 17 | 42 | — | 31 |

**CAPITAL INVESTMENT (Weighted by expenditure)**

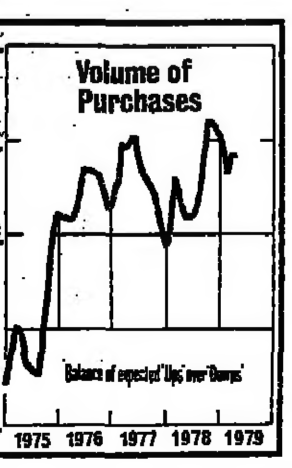
| Those expecting capital expenditure over the next 12 months to : | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Oct.-Jan. % | Eng'g. (non-elect.) % | Brews. % | Paper & Packaging % |
|---|---|---|---|---|---|---|---|
| | 4 monthly moving total | | | | April 1979 | | |
| Increase in volume | 52 | 53 | 46 | 47 | 45 | 46 | 20 |
| Increase in value but not in volume | 9 | 6 | 8 | 8 | 15 | 42 | 12 |
| Stay about the same | 19 | 23 | 23 | 23 | 20 | 6 | 8 |
| Decrease | 20 | 16 | 16 | 14 | 20 | 6 | 60 |
| No comment | — | 2 | 7 | 8 | — | — | — |

## COST AND PROFIT MARGINS

### Wage expectations rise

COMPANIES WERE more inclined to expect higher wages and costs than previously, and were less confident of improving profit margins.

The engineering sector had stronger expectations of wages rising by 10 per cent or more, while the paper and packaging sector was more inclined to expect increases of more than 15 per cent.



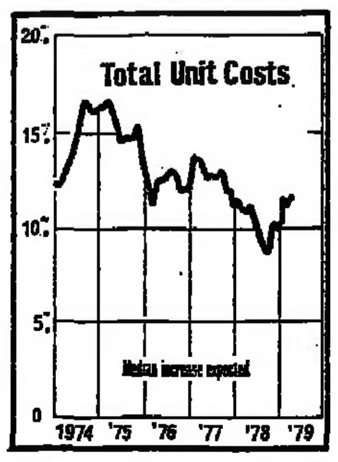

The rise in unit costs was the result of greater inflationary expectations in the paper and packaging sector.

Both the brewing and distilling and paper and packaging sectors were less optimistic about improving their profit margins than they had been when last interviewed in December, and as a result this indicator continued the fall started last month.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives.

Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT-Actuaries' Index, which accounts for about 60 per cent of all public companies.

The all-industry figures are four-monthly moving totals covering some 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month).




*Complete tables can be purchased from Taylor Nelson and Associates.*

**COSTS**

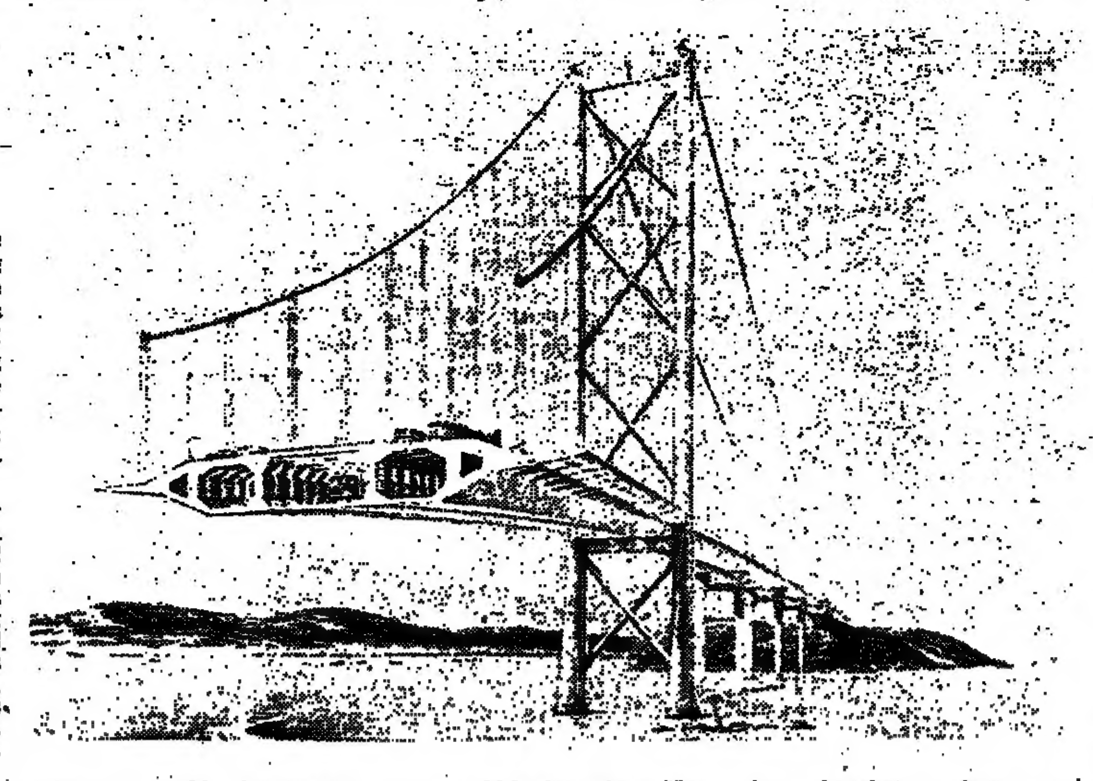
| | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Oct.-Jan. % | Eng'g. (non-elect.) % | Brews. % | Paper & Packaging % |
|---|---|---|---|---|---|---|---|
| | 4 monthly moving total | | | | April 1979 | | |
| Wages rise by : | | | | | | | |
| 5-9% | 14 | 14 | 19 | 24 | 14 | 22 | — |
| 10-14% | 60 | 61 | 55 | 51 | 86 | 73 | 37 |
| 15-19% | 16 | 14 | 11 | 8 | — | 5 | 37 |
| 20-24% | 1 | 1 | 1 | 1 | — | — | — |
| No answer | 9 | 10 | 14 | 16 | — | — | 26 |
| Unit cost rise by : | | | | | | | |
| 0-4% | 1 | 1 | 1 | 1 | 23 | — | — |
| 5-9% | 25 | 26 | 26 | 35 | 43 | 50 | 9 |
| 10-14% | 47 | 46 | 45 | 43 | 34 | 28 | 58 |
| 15-19% | 11 | 10 | 11 | 3 | — | — | 12 |
| Same | 3 | 3 | 3 | — | — | — | — |
| Decrease | 4 | 4 | — | — | — | — | — |
| No answer | 9 | 10 | 14 | 18 | — | 22 | 21 |

**PROFIT MARGINS**

| Those expecting profit margins over the next 12 months to : | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Oct.-Jan. % | Eng'g. (non-elect.) % | Brews. % | Paper & Packaging % |
|---|---|---|---|---|---|---|---|
| | 4 monthly moving total | | | | April 1979 | | |
| Improve | 37 | 43 | 40 | 39 | 40 | 10 | 21 |
| Remain the same | 41 | 35 | 47 | 41 | 60 | 90 | 46 |
| Contract | 20 | 20 | 12 | 13 | — | — | 25 |
| No comment | 2 | 2 | 1 | 7 | — | — | 8 |

# Building and Civil Engineering

## Two-deck suspension bridge plan



Impression of the cross-section of a proposed 1,350 metres long suspension bridge between Tsing Yi and Ma Wan Islands designed by Mott, Hay and Anderson for the Hong Kong Government. This picture shows the aerofoil edge structure designed to maintain stability under typhoon conditions.

Mott Hay and Anderson Far East was appointed in July last year to carry out a study and make recommendations for a fixed crossing involving a series of bridges to link the Hong Kong mainland with the island of Lantau. The study was carried out in association with L. G. Mouchel and Partners (Asia), Harris and Sutherland Far East and Per Hall Consultants.

A fixed crossing to Lantau forms an integral part of the proposed development of the north-east area of the island.

The route extends from the Tsuen Wan highway at Texaco Road across the Rambler Channel and traverses the northern coasts of Tsing Yi and Ma Wan islands to the north east corner of Lantau, a distance of nearly 10 km. The scheme envisages an initial crossing capable of taking four lanes of traffic with potential for later enlargement, if required.

As can be seen here the consultants' design is for a double-deck highway within a streamlined aerofoil shape to reduce wind drag. The suspended structure would incorporate slotted edge stabilisers and a central vent to assist stability in strong winds.

Initially, the bridge would have four lanes of traffic on the top deck. A two-lane sheltered all weather carriageway would be constructed on the lower deck. The upper carriageway could be extended later, by two lanes if required, the bridge thus offering a maximum potential of eight lanes.

Mott, Hay and Anderson says that to facilitate erection of the bridge, units of the suspended structure, each about 18 metres in length, would be prefabricated outside Hong Kong and the joints of each unit would be trial matched. The units would be brought to Hong Kong by ocean-going barges and lifted directly into their final positions in the structure.

The top flanges would be spliced by welding but the webs, bottom flanges and bracing would be spliced by high strength bolts in order to improve the structural damping properties of the suspended structure.

The humid marine atmosphere of Hong Kong requires steelwork protective treatment which is very durable and can be easily maintained. Although many different paint systems are available, it is stated, the only one that has the proven performance needed for this situation consists of zinc phosphate primers and phenolic micaceous iron oxide top coats. This system is similar to that developed and used on the Forth Bridge.

It is understood that the estimated cost of the whole project, assuming an eight-lane traffic scheme were adopted for the 10 km route would be about HK$2085m.

There are hopes that the consulting engineers will receive a reply to the proposals in July and it is believed that if work started soon after that the project could be completed in 1984. If the big suspension bridge was adopted it would be the second longest suspension bridge in the world after the Humber bridge in Britain.

## Nuclear power station preparations

CENTRAL Electricity Generating Board has awarded Taylor Woodrow Construction a £7m contract for preliminary works in connection with a new 1200 MW advanced gas-cooled reactor power station at Heysham, Morecambe, Lancashire.

Consulting civil engineers are Allott and Lomax and quantity surveyors are E. C. Harris and Partners.

Work has started and completion is scheduled in the late summer of 1980.

Taylor Woodrow has been constructing power stations since the early 1940s and was the building and civil engineering contractor for the world's first full scale nuclear power station—Calder Hall, Cumbria—in the 1950s.

Since that time the group has undertaken the entire responsibility for civil design and construction works at five other nuclear power station sites. Two of these, the twin Hartlepool and Heysham 1250 MW AGRs are presently under construction.

In support of this programme Taylor Woodrow set up a research and development facility initially to support the design of prestressed concrete pressure vessels. This research was rapidly expanded into other areas of activity and has made Taylor Woodrow a leader in the field of high technology in concrete for all forms of construction.

Apart from the nuclear work, the company has been awarded a £162,000 contract for the provision of a 42 metre by 30 metre structural steel warehouse at Hillhouse Industrial Estate, Hamilton, Lanarkshire.

The construction is a conventional factory building, with reinforced concrete foundations and floor slab, steel portal frame, profiled metal cladding and brick dado wall. There is an internal office suite and a car parking area adjacent.

## Nearly £16m for Kier

IN A MAJOR award of contracts worth just under £16m to French Kier, the most important is for £8.7m, covering work for West Glamorgan County Council for the construction of Phase 1 of the County Headquarters at Oystermouth Road, Swansea.

This building is to be constructed with reinforced concrete basement on cast insitu concrete piles; reinforced concrete frame and flat waffle slab ground, first, second and third and fourth level suspended floors; and precast concrete cladding units with double-glazed aluminium windows.

Work will take three years to complete and will start early this month.

Second largest is a contract worth over £7m for the London Borough of Southwark.

Work will start shortly on the erection of 281 dwellings in the Surrey Docks Development Housing Area 1. Taking 156 weeks to complete, the dwellings will range from two-person, two-storey flats to eight-person, two-storey houses. These will be of traditional construction above the ground floor slab with cavity walls and pitched tiled roofs.

Contract work at Surrey Docks also includes the provision of a landscaped public open space.

## Mixed bag for Henry Boot

VARIED contracts won by the Henry Boot Group recently total £4.4m including a £1.5m job for the redevelopment of the former Cornhill building in West George Street, Glasgow.

This eight-storey building was erected in the late 19th century and is now being developed to provide 32,000 square feet of prestige office accommodation.

Work at Carstairs State Hospital, Lanark, worth £700,000 covers drainage and the extension building of a long perimeter fence to the cadet hostel block at Glasgow Police Training College are to be undertaken in a contract worth about £500,000.

Work has begun on a £350,000 contract to construct a new electricity sub-station at Wincobank, Sheffield for the CEGB North Eastern Region, and the company is to upgrade and extend Oldham Market Hall under a £300,000 contract.

The remainder of the new operations include refurbishment and alterations to Nuneham House, Oxford, for Carreras Rothman, and civil engineering works related to the electrification of the No. 1 Winder House at Bilsthorpe Colliery for the North Nottinghamshire Area of the NCB.

## Reed and Mallik awards

CONTRACTS totalling £4.33m have been awarded to Reed and Mallik, civil engineering division of Rush and Tompkins Group and its recently acquired subsidiary, Alun Griffiths (Contractors).

Largest order is for a £2.5m by-pass on the A418 at Thame, Oxon., for Oxfordshire County Council, and involves 1.9 km of single carriageway road 7.3 metres wide. It will have a roundabout at each end and a further 2.1 km of side roads linking it to the existing road network. The scheme includes the building of three new bridges over the River Thame and the removal of an existing railway bridge and embankment on the A329 to allow the road to be rebuilt at a lower level on the same alignment. Work on this job starts on May 14.

A road improvement scheme for Bedfordshire County Council is the subject of a £154,000 road improvement scheme on the A6 and sewerage jobs include a £427,000 contract for Luton Borough Council for an outfall sewer on the Little Bramingham Farm housing estate.

Alun Griffiths' share of the work amounts to £1.25m and includes sewerage scheme for the City of Cardiff, road improvement works and advanced preparation works at a housing estate for the Development Board for Rural Wales.

CDF v-j

## School work for Laing

A CONTRACT worth £1.6m has been awarded to John Laing Construction, Yorkshire Region, to extend the Oakbank Mixed Grammar School at Keighley, West Yorkshire.

Project is being undertaken for the City of Bradford Metropolitan Council and is aimed at adapting the school to fit in with the three-tier education system operated by the council. Alterations will increase the school's capacity from 700 to about 1,300 pupils.

## Projects in Nigeria

A VARIETY of projects in Nigeria costing over £50m will be under the supervision of consulting engineer Haiste and Partners and its associate, Stirling, Maynard and Partners, working in Nigeria through Yaroson and Partners.

Apart from carrying out site supervision and service design functions for the overall project, the group is also providing supervision of water distribution for a 1,000-dwelling estate under construction at Barnawa, Kaduna, and designing schemes for four other estates in Kaduna State.

A £25m scheme of road improvements in Minna township, capital of Niger State, is under the overall supervision of Stirling, Maynard and Partners, who are also responsible for the design of structures and two roads totalling 180 km in the Sokoto area.

Partner in Haiste's Leeds office, Mr. Harvey Roberts, says that some of the major projects are services and infrastructure design for a £15m complex of workshop and hostels at Badagry, near Lagos, for the Federal Industrial Training Fund, and completion of similar design work for the Fund's headquarters building at Jos, Plateau State.

## Mowlem to construct £4.6m sewer

TUNNELLING work worth £4.6m to build a relief sewer in South London has been awarded to John Mowlem and Company by the Thames Water Authority.

Work involves the construction of a new relief to the Falconbrook sewer which becomes overloaded during heavy rainfall and causes flooding in the Balham area. In this circumstance, the relief sewer—when completed—will come into operation.

The line of the sewer will run for 3.3 miles from Clapham Common to near Wandsworth Bridge.

Other work includes the building of 28 manholes and access shafts, eight storm water overflow chambers connecting the existing sewer with the new one, and the culvert.

Lined with precast concrete segments, the sewer will be mainly 100 inch in diameter and the feeder sewers will be five feet in diameter.

Consulting engineer is Fawcett and Partners and the project, which is starting this month, is due to be completed early in 1982.



## £2m sewage awards to C. Bryant

SEWAGE and land drainage projects worth in excess of £2m have been awarded to C. Bryant Civil Engineering. Principal contract, worth £1.8m, is for the Anglian Water Authority and comprises extension of existing sewage works in the Irthlingborough, Wellingborough and Irchester area to serve Kettering and relieve its currently overcrowded works.

Second contract, worth £230,000 has been awarded by the North Shropshire District Council and involves the reclamation of about 15 acres of land in Sherry Hill, Whitchurch. This land is subject to extensive flooding, and the drainage scheme is designed to alleviate this problem.

Engineer and surveyor is W. S. Keable. Work will be completed by the end of this year.

## Variety of work worth over £1m

PRIVATE AND public sector contracts worth over £1m have been awarded to F.C. Construction, including a £430,000 job for Severn - Trent Water Authority for the provision of a 3m gallon service reservoir at Whiteborough, near Mansfield.

Other work includes £70,000 for alterations to a warehouse at Southall, for Quaker Oats; alterations and extensions to coal preparation plant at Bentinck Colliery under a £366,000 National Coal Board contract; and £243,000 contract from Ryder Truck Rental for the construction of a new district office and nine-bay commercial vehicle workshop at Croydon.

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PLATING

## Process requires less gold

IN VIEW of the fact the price of gold has doubled in the last three years electroplaters will be interested in an announcement from Engelhard Industries claiming the development of a gold plating process called 95 RPC which can reduce by up to 50 per cent the amount of the metal needed to plate a pore-free deposit.

The particular achievement claimed is the formulation of a process which gives rapid pore closure during deposition.

At the moment gold electroplating processes for the coating of printed circuit boards and connectors require, says Engelhard, a thickness well in excess of 100 microinches to achieve pore closure and enable corrosion and wear resistance specifications to be met. Frequently, however, 200 microinches are needed to give pore free results, despite considerable pre-treatment aimed at removing voids and discontinuities in the base coating.

The Engelhard 95 RPC process when employed at deposit thicknesses of at least 100 microinches will normally give wear resistance and freedom from porosity equivalent to 200 microinch deposits produced from processes in current use, claims the company.

Engelhard reports that the process has recently been approved for use under the scope of Post Office specification M468 draft 3. Engelhard, St. Nicolas Road, Sutton, Surrey SM1 1EN, 01 643 8080.

● MATERIALS

## Turning to the trade

POLYCELL PRODUCTS, which makes such well-known things as Polyfilla and other materials for the household handyman, has set up a trade division to cater specifically for the trade.

The new division will market special packs for the professional building and decorating trade, recognising the fact that increasing quantities of Polyfilla, wallpaper pastes and other products have been used by professionals for some years. Polytex, the flexible textured ceiling treatment, and the Polycell double glazing systems have been readily adopted by this section of users.

Polycell is on Welwyn Garden City (96) 28131.

Latest weighing equipment from Mangood of Polofield Estate, Panteg, Pontypool, Gwent NP4 5YP. (Pontypool 55112) has been devised so that a vehicle operator can read the weight and take the print-out without leaving his seat. Trucks, pallets and containers can be pre-weighed and the details held in memory until required. Alternatively, pre-weights can be keyed into the instrument memory, so that when a loaded vehicle or container is weighed an attached printer will print out automatically gross, tare and net weights.

● ELECTRONICS

## Programmed watchdog

A NEW British company called Kinson Electronics (17 Wellington House, Eton Road, London NW3 4SY 01-586 0325) has developed and is now producing a microprocessor-driven programmable event recorder for industrial and medical use in which the data can be printed out on a "ticket roll" printer in tabular or graphical form.

The unit counts events on each of 16 channels and has a crystal clock accurate to three seconds a day with front panel display.

It can be programmed by the user to monitor an industrial plant or scientific experiment and to automatically provide periodical printed records. Front panel controls allow selection of the time interval between printing (10 to 9990 seconds) and the number of print-outs required. During automatic operation the individual channels can be programmed to function as totalisers or "rest after print" counters.

Once the program is running a print-out can be demanded at any moment without interfering with progress.

After the last print-out a graph will be plotted if this option has been switch selected.

## Codes the keystrokes

A FORTY-LEAD microcircuit from General Instrument Microelectronics of 1 Warwick Street, London W1R 5WB (01-439 1891) will accept signals from capacitive, inductive (Hall effect) or simple switch closure keyboard systems having up to 128 keys.

The circuit does not rely on the simple contact closure of each key, but has an electronic validation facility which protects the system from key bounce and spurious signals.

Of its 128 key capacity, the AY-3-4592 provides up to 112 keys with up to four 10 bit programmable codes, depending upon the status of the shift and control keys at any moment. The other 16 key inputs are reserved for discreet function keys. The circuit can be programmed to encode and key for any special purpose.

The keys are electronically inspected for status by a matrix scanning scheme, but this is fast enough to allow for burst typing speeds of over 250 words per minute.

Requiring only one power supply of five volts, the circuit has inputs and outputs that are TTL and CMOS compatible.

● COMMUNICATION

## Underwater cable and hose links

DRAWING on 20 years of experience in designing and manufacturing underwater electrical and electromechanical cable systems the hydrospace division of Standard Telephones and Cables (STC) has developed the first British-made hydraulic hose bundles and electrical cable for the North Sea oil industry.

In competition with U.S. suppliers, STC has won an order from Shell UK Exploration and Production for hose bundles and cable which will provide the command and monitoring link between a sea floor wellhead and its surface control platform.

Cables can be solely hydraulic, or electric, or a combination of both within a single jacket. They can be supplied in a variety of layouts to suit the specific application. A new production facility is at present being installed at STC's Newport cable factory which will increase its manufacturing capacity for these types of cables.

STC Hydrospace, Christchurch Way, Greenwich, London, SE10 OAG. Tel: 01-858 3291.

● SAFETY AND SECURITY

## Avoiding incidents at sea

A SOMEWHAT illogical aspect of the electrical equipment installed in small private boats is that in perhaps as many as 60 per cent of the cases it is not specifically designed for service on the water.

Frequently it is the same equipment as that found in the motor car.

Provisional estimates suggest that of all the rescue calls dealt with, about 20 per cent can be traced to electrical faults: the situation is being looked at by the Royal National Lifeboat Institution which is expected to report soon.

This, and the long term unnecessary cost borne by boat owners for repairs and replacements has prompted the three year old Lucas Marine company to embark on a campaign for the use of what it calls "marinised" equipment built, as professional ships' equipment is, to stand up to the seagoing environment.

The difference is not, as some boat owners might feel, simply a matter of using more suitable paint on the outside of the generator, starter or panel.

All of the Lucas Marine equipment, although based on the automotive products, has been suitably redesigned and modified at the production stage.

For example, the earth return system used in cars is not suitable for a boat, giving rise to electrolytic action in the hull and loss of metal from the propellor, shaft casing and other submerged metal items. Marinised equipment is designed on a two-wire basis. In addition, in the alternator tin or zinc plating has been used on critical parts electrical components have been encapsulated, windings have been given a second impregnation and ventilation has been increased to take account of the lack of air flow usually experienced in installed location in the hull. Special attention has also been paid to interference suppression to avoid problems with the navigational and radio aids.

Similar treatment has been given to electric starters, and the company also offers items such as navigation lights, searchlights, battery charge monitors and a fully protected instrument range.

More from Frimley Road, Camberley, Surrey, GU16 5EU (0276 63252).



## Less static electricity

SAFER CORNER of Bracken House is Technical Page where we have treated our carpets, metal desks, window frames (and somebody's coat) with a non-flammable, non-corrosive spray, Antistat, at the invitation of Data Efficiency, Maxted Road, Hempstead, Herts (0442 63561).

Most modern offices seem to have heating systems and nylon carpeting which inevitably give rise to the hazards of discomforting "blue flashes" but these can cause much more serious problems in computer environments.

When used at regular intervals during periods of low humidity, the antistatic aerosol spray can help remove static around data entry and visual display terminals, computers, word processing stations, computer printers and magnetic tape and disc drives.

Also available from Data Efficiency is a computer room hygrometer to warn of dangerous static charges. A precision instrument for measuring the complete range of 0-100 per cent humidity and certified to be accurate within plus or minus 2 per cent, it is boldly marked to indicate the danger (static) and safety (non static) humidity ranges for data processing equipment. It alerts operators in sensitive environments whenever static-elimination methods must be instituted.

## Thwarts the car thief

AN anti-theft device put on the market by Welwyn Tool, Stonehills House, Welwyn Garden City Herts (Welwyn Garden 29121) according to maker is "almost impossible to circumvent unless by some chance the thief has had previous access to the vehicle."

Known as the "Waller" the unit is mounted in an inconspicuous position and is wired to the vehicle's 12V supply. [illegible] switch is inserted in the [illegible] supply lead and positioned out of sight. A third lead, which provides the trigger is connected to the courtesy light door switch circuit; other switches, for example on the bonnet, can be added for further security.

After parking, the owner switches the unit on and then has 20 seconds to leave the car and shut the doors. When a door fitted with a switch is subsequently opened the alarm is triggered after five seconds—long enough for the driver, who knows the switch position, to turn the system off.

The alarm [illegible] emits a loud, [illegible] tone that cannot be confused with a car horn.

● COMPUTING

## Real-time language package

SPL is making available a full RTL/2 real-time language package on the IBM Series I. The product was funded by Insac as part of its investment programme and is the first Insac-backed package available in the market place.

It conforms in every respect with the BSI Standard RTL/2 currently under development, is suited to the architecture of the Series I and outperforms PL/I in core usage and run-time efficiency.

This announcement means that RTL/2 is available or under development on more than 15 different computer systems, ranging from the smallest micro to the largest IBM main-frames.

Every version of the language conforms fully with the BSI Standard: RTL/2 has no subsets and no supersets. Thus, any RTL/2 user can change his hardware to IBM Series I with minimal risk to his software investment. To the Series I customer RTL/2 opens the door to complex process control and real time applications: it is the only high-level language specifically designed for such use.

Systems Programming, 12/14 Windmill Street, London W1P 1HF. 01-636 7833.

● COMPONENTS

## Actuator resists shocks

ROTARY electric actuators developed by Hopkinsons, of Birkby, Huddersfield HD2 2UR (0484 22171), and designated 9152/3, have recently been shown to be able to continue performing satisfactorily during and after test vibrations equivalent to those of an earthquake.

Following the tests, carried out by GEC Power Engineering, Hopkinsons now regards these models as being able to meet first line control problems that might arise in either nuclear or conventional power plants for example, in the event of real seismic shocks.

These actuators have output torques of up to 300 lbf ft, rotational speeds of 24 rev/min [illegible] thrust of 20,000 lbf.

After some exploratory tests and some subsequent minor modifications no resonances were found during a sweep between one and 33 Hz [illegible]. Further proof tests were [illegible] carried out at four spot frequencies in the range in [illegible] axes and at peak accelerations up to 3g, satisfactory performance being maintained.

## Combats water shock

WHEN A sudden change in velocity causes a pressure wave to surge rapidly through pipe systems, there is always the threat of damage.

This may result from occurrences such as rapid closing of valves and taps, automatic controls, and sudden pump shut-off, but can be combated by the installation of a simply fitted water shock arrestor, promises Brefco (Northern), PO Box 16, Brookhouse, Peel Green, Eccles, Lancs. (061-789 811).

The Flexofit comprises a steel two-part vessel separated by a sealed-in rubber diaphragm, with the steel walls of the water [illegible] coated [illegible] plastic and the [illegible] made of brass.

Device is recommended [illegible] installed on the inlet [illegible] close as possible to [illegible] where water shock is likely [illegible] occur. A vertical siting is said to give the best results, although other positioning [illegible] be satisfactory.

More than one arrestor [illegible] be installed where situations call for larger pipe diameters, longer pipes, or a high pressure.

Applications are suggested for boilers, geysers, lavatory flush valves, showers, washing machines and vending machines, etc.

● MAINTENANCE

## Helicopter engine test rig

DEVELOPMENT OF a fully transportable test rig capable of undertaking performance and diagnostic checks on helicopter engines, previously only possible at a major repair centre, has been announced by Froude Engineering, Gregory's Bank, Worcester WR3 8AD (0905 27166).

Developed in conjunction with the Ministry of Defence, the demountable plant includes the engine hoist unit, control room, fuel and water supply module, and a water cooler. The engine test bed, which includes a Froude hydraulic dynamometer with engine mounting frame and air inlet assembly, joins together with the exhaust and engine hoist unit and control module to form the test cell and control room for the helicopter engine.

The control room contains high accuracy instrumentation, and parameters measured include speed and torque as well as temperatures and pressures, fuel flow and vibration. A multi-channel two-stage alarm and automatic shutdown facility is also provided.

# THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

## Increased award for innovators

A CASH prize twice as large as in 1978 will go to the winner of the 1979 Technical Development Capital Innovator of the Year Award. TDC, a sister company of Industrial and Commercial Finance Corporation, which channels equity and loan capital into smaller companies, is putting up a total of £35,000 in prize money, of which £20,000 will go to the outright winner, with three runners-up each receiving £5,000.

The competition is open to any person or company with a business idea—be it product, process or service—based on technological innovation. In the past two years finalists have produced ideas ranging from a new type of reflecting road stud and a safety winch for fishing trawlers to a machine for injecting insulating foam into cavity walls and into voids of *large concrete building bricks.*

The 1978 winner was Graeme Minto, who developed an ink jet printing system. The machine involves printing by means of spraying minute ink jets on to a surface with microprocessor based control making it both very fast and adaptable.

One of the features of the printing process is that it can be used on almost any surface, be it irregular, flat or whatever, because the process does not require the printing machine to make contact with the surface being printed on.

TDC sees the aim of its award as encouraging individuals and small companies which have the necessary technical expertise, commercial skills and management potential to build a growth business. Winners do not, though, neces*sarily qualify for finance from* TDC, though it would consider any application.

Entry for the award should be made by applying to TDC at 91 Waterloo Road, London SE1 8XP no later than July 2, or by telephone to Sue Mallott on 01-928 7822. Following judging of the entries the presentations will be made to the winners in the Autumn.

**Nicholas Leslie**

EXECUTIVE HEALTH

BY DR. STUART CARNE

# No panacea for prolonging your active life


A PHYSICIAN seeing an unusual medical case notes the occurrence and transfers the information to the memory bank in his brain — that is assuming he has trained his mind to work along these lines. When a second similar case presents itself to him he will—hopefully—recall the first and *begin to seek a common origin.* When the interval between the two cases appearing is short, he will begin to talk in terms of an epidemic.

Thus, when I was asked, within the short space of 6 *weeks, to review two books with* the identical title—"Executive Health"—my mind set to work wondering whether we are about to have an epidemic of similar books.

The first of the two books to arrive was the one by Dr. Andrew Melhuish (published by Business Books, £7.50). After qualifying in medicine and doing a spell as a ship's surgeon, the author went into general practice in Henley in 1965, and six years later he took over as Medical Officer to the Administrative Staff College in that town. Subsequently he utilised this appointment to start a research project into the health of executives. The results of that study are not yet available but Dr. Melhuish has called upon his considerable experience in this field to help him write his book.

His chapters follow a logical sequence, starting with an overview of the problems. This is followed by a summary of the more commonly encountered groups of disease likely to involve executives. The final chapters outline what the executive can do to maintain his health — at home, in the office and last, but not least, when he *is travelling.*

What is not clear from his account is the fact that stress is not a prerequisite of the executive: the worker on the factory floor and the clerk in the office are affected just as *frequently* are just as severely, even if they use different terminology to describe their symptoms. Nor, too, are smoking, alcohol, obesity and lack of exercise respectors of money or class. Dr. Melhuish's message is, however, clear—*if* only his readers would take heed and not just read.

*Many of my patients are looking* for a human equivalent to the dog food that is said to prolong active life. I think Dr. Melhuish will persuade them that one place they will not find it is in a pill.

*The second book is by David* Carrick who is well known to readers of the Financial Times. Indeed, the different chapters in his book are based on the series of articles he has written for the Management Page. The book has just been published by Bay Books, London at £4.95.

Each chapter takes a different topic: backache, heart attacks, peptic ulceration and so on. (Alas there is no index, not even a list of chapters, so that anyone wanting to read about his own problem *in this book* is going to have to conduct a search of the pages; or more likely, being an executive, get his secretary to do this for him).

## Racy style

David Carrick writes in a cheerful racy style which makes for easy reading. Even if you don't like what he is saying to you, you will probably enjoy the way he says it. However, I cannot really see anyone but a hypochondriac reading it from cover to cover; and the hypochondriac is probably going to be upset because with only 12 topics covered, Dr. Carrick is sure to have left out many of *his* problems.

Health is something many people think about only when they are ill. The rest of the time they take it for granted, which a lot of people would say is a healthy attitude. Equally, *at the other end of the scale* are those who spend a considerable amount of their time, effort and money, trying to maintain their health and avoid disease. From listening to their conversation it would sometimes seem that every item of food they eat and every activity they undertake is first meticulously analysed for its health giving—or disease potentiating—content.

In the sense that they are worried about what will happen to them and to their families if they fall ill, executives are often very concerned about their *health. From the questions my* GP colleagues and I are asked, both by executives and their wives, when we meet either professionally or socially, they would like to be able to sort fact from fad; and to find a *reasonable compromise between* the medical guru of the week offering his advice on how to improve your health by jogging, eating a macrobiotic diet or having a regular medical check up, and the laisser-faire attitude of those who believe there is nothing you can do to help yourself.

The vacuum created by the absence of the killer and crippling illnesses of old has been filled by a new generation of diseases. For our children and youth it is accidents that head the list of causes of death (and for the very young it is accidents in the home which happen most frequently). For the executive, the diseases about which he worries most—and for *very good reason—are heart* trouble and cancer.

Coronary artery disease, whether manifesting as angina (chest pain on exertion) or a full-blown coronary thrombosis ("heart attack") is one manifestation of arteriosclerosis (hardening of the arteries). When the arteries in or supplying the brain are affected, the risk is that the sufferer will have a stroke.

Also at risk from arteriosclerosis are the kidneys. Part of the picture is a high blood pressure—but only a part. A high blood pressure causes few symptoms until complications arise, so the patient will have little reason to go to his doctor. Hence the vogue for screening *check-ups at which high* blood pressure and other treatable illnesses can be detected and treated. But only if the disease is treatable is a benefit likely to accrue—and that means the symptom free patient (that is someone who may be feeling perfectly well) having to take treatment — which itself can bring about symptoms and disease.

In the United States, Dr. Melhuish says, the annual screening of executives seems part of the natural way of life. Commenting of this phenomenon, a British GP, Dr. Geoffrey Marsh, who has worked in both countries, says that in Britain a man is fit if he feels fit: in America he is only fit if his doctor has examined him and pronounced him fit, and then only until the time comes round for his next check-up.

Dr. Melhuish takes a middle of the road view towards the annual medical. He believes that some tests are valuable. He says height and weight should be measured annually, weight, perhaps, but how often does height vary between the ages of 20 and 65? Blood pressure should be checked annually; yes though, incidentally, 90 per cent of the population see their GP at least once every two years and many GPs now routinely check the blood pressure of those patients who have not had it taken for a year or more.

Another annual test Dr. Melhuish recommends for men is a urinalysis to test for diabetes and many kidney diseases. But in the absense of symptoms, is an annual review really worthwhile?

On the other hand, this test is cheap (less than 5p for the two) and very easy to do. No medical skill is needed. I wonder why manufacturers do not perhaps market a single strip ("litmas paper"-type) test with simple instructions on how it should be used, and advice to consult the doctor if either result is positive.

## Challenge

By way of regular female examinations he recommends careful breast inspection once a year and a cervical smear at *the same interval for women* over the age of 40. His description of what should be done is too brief to answer the doubts in the minds of many women—and the doubts in my mind.

But it is when he gets on to *the "more thorough but less* frequent check" (his words) that I really cross swords with Dr. Melhuish. Let me challenge his first two tests.

"Full blood screening" does not quite mean what the ordinary reader might think. We have to be selective in the tests we choose—or we might bleed the patient to death! Dr. Melhuish chooses tests for anaemia, liver and kidney disease, diabetes, susceptibility to gout and raised blood fat levels—a reasonable choice, though I would extend the tests to include a random check of *alcohol in the blood.*

It is true that certain high levels of blood fat are related to an increased risk of circulatory disease, especially coronary thrombosis and stroke. I cannot, however, agree with Dr. Melhuish that simple measures such as diet or, if necessary, drug therapy will correct the harmful blood fat levels. Diet is neither simple nor proven to be effective; tablets are easy to swallow (though expensive), but their efficacy is ever more *doubtful except in the case of a few relatively rare forms of* this disorder.

Secondly, Dr. Melhuish advocates chest X-rays "to identify pulmonary tuberculosis and lung cancer." We can attribute *much of the enormous* reduction in the incidence of TB in this country over the past 25 years to the very successful mass X-ray campaign. Alas, routine screening for lung cancer is less successful. All too often, by the time X-ray changes can be seen, the cancer has spread so far as to be inoperable. Dr. Melhuish is aware of this: he says it himself. A scanning X-ray may be more effective, but the cost is at present prohibitive for routine *screening.*

Dr. Carrick thinks as I do about annual check-ups. Their value is highly debatable, especially if they are carried out in what he calls a medical supermarket. Technology, says Dr. Carrick, should be the servant of man and not his master; and I agree.

Dr. Carrick and I also agree that when a patient goes to his company doctor—or to his GP—and says "I want a full check up please" then he must have a full medical history and examination, for that man has a problem and the first duty of *the physician* is to find out exactly what is worrying him. Finding a normal level of blood fat, a normal chest X-ray and a normal urine is not going to be of much help if what the man really wants to know is: "Why have I recently become impotent?" or "Why has my wife become frigid?"

I also share with Dr. Carrick a belief in the importance of emotional problems in the causation of disease. (Not that Dr Melhuish dismisses it). But *I am not sure that he does not* go a little too far when, for example, he stresses these factors in the causation of duodenal ulcer. Recent evidence suggests that normally there is a major organic component in this illness.

Executive lunches—high in calories, lubricated with alcohol and contaminated with smoke—have probably contributed as much to executive ill-health as any other factor in their lives!

And yet, as a group, executives are relatively healthy compared, say, with manual workers and even clerks. Executives have a longer life expectancy because their death rate from most of the more common killer diseases is less. Not only do *fewer* executives die in the prime of life from chronic bronchitis and accidents, but also fewer die from lung cancer. Surprisingly, as is shown clearly in one of the illustrations in Dr. Melhuish's book, executives do not even have a higher than average death rate from coronary thrombosis.

Being an executive's wife carries with it *almost as many* stresses. The need to move home at not infrequent intervals can be very stressful. Having to cope with the children and their problems, both social and educational, while your husband *is away on business or dining* out in town—albeit with clients—can to some wives be akin to widowhood.

When this is coupled with the frustrations of maintaining domestic peace and quiet when he is at home coping with work he has had to bring back from the office there is no wonder that many of these wives feel jealous of their executive husband's employer. Being asked, sometimes at the shortest possible notice, to act as his unpaid *social* secretary, manager, cook and bottle washer by entertaining clients at home, is often the last straw. Apparently even wives who have their own jobs feel no happier about having to cope with a *frequently absent husband.*

Are firms aware that they can and should be taking action to reduce these stresses upon their—presumably valued—executive staff?

Perhaps the best investment an executive can make if he wants to improve his health—and prolong his married life—is to make sure his chairman has a copy of both these books on his desk.

*Dr. Stuart Carne is a General Practioner in London. He is Honorary Treasurer of the Royal College of General Practitioners, and is the author of several medical books.*

## A model for Europe?

BY GEOFFREY OWEN

ALL BRITISH companies are required by law to disclose in their annual reports the value of their direct exports from the UK. Some present the figure as one item in their directors' report, without comment and without even a comparison with the previous year.

*Others* supplement the figure for direct exports with information about other overseas income, from dividends, royalties etc. But very few companies provide full details of their net contribution to the UK balance of payments.

Should companies provide this information voluntarily? The case for full disclosure, which applies mainly to the large international companies, is that it should contribute to a better public understanding of their activities.

There has been much controversy over the impact of multinationals on the balance of payments of the countries where they do business. Whether the controversy would be lessened if the figures were disclosed is not certain: some foreign-owned companies operating in the UK, even substantial exporters, might well show a net deficit in their UK balance of payments, because of their imports from associate companies and dividends paid to their parent corporation.

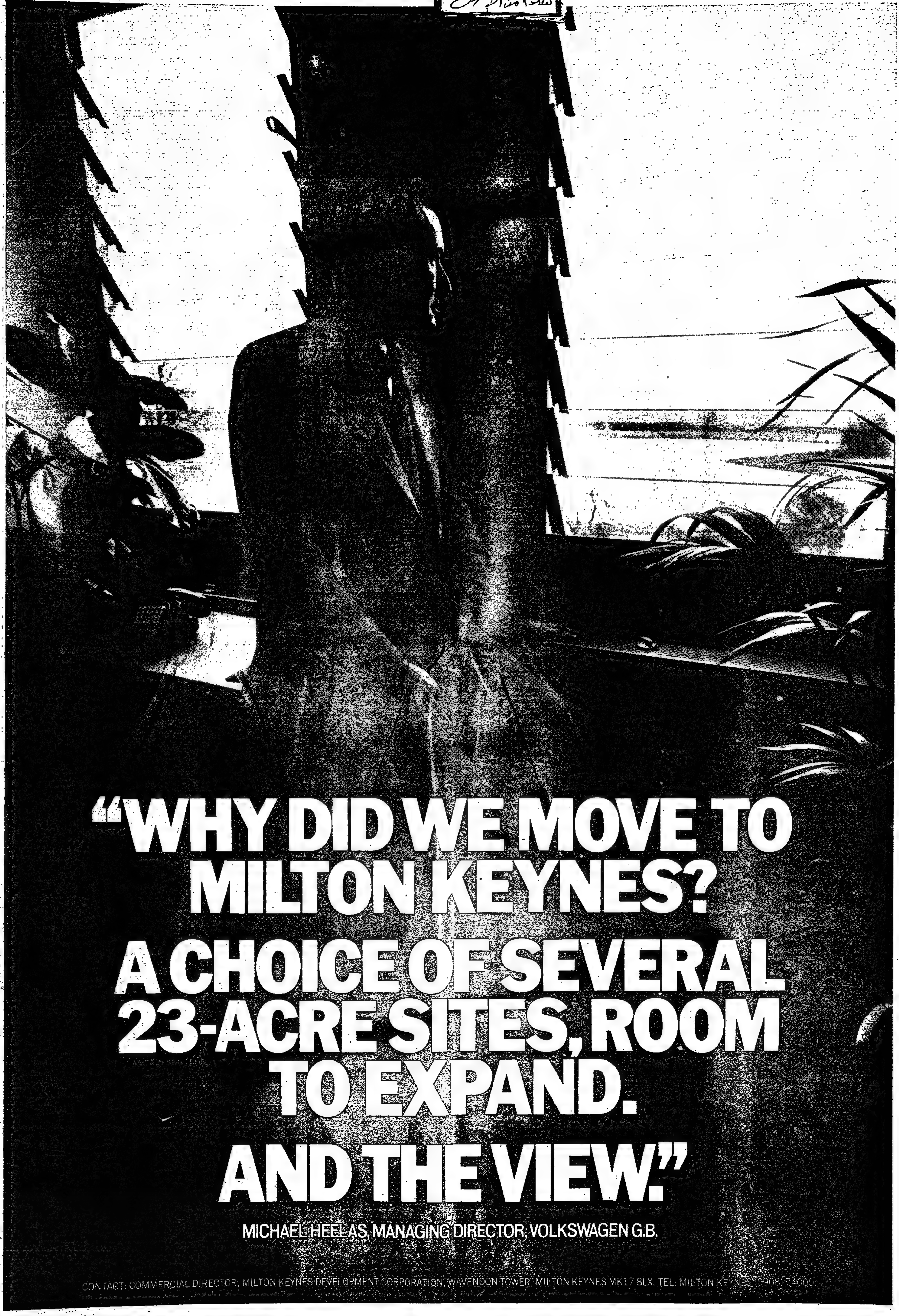
Some American companies are more forthcoming, at least as far as their U.S. annual reports are concerned. The figures in the table are taken from the latest annual report of Union Carbide, one of the leading *American chemical companies.*

In the past three years Union Carbide has shown a large and growing favourable balance, although in 1978 the inflow was boosted by the proceeds from a major European divestiture. The presentation of the figures is clear and comprehensive; it could well serve as a model for European companies.

**UNION CARBIDE'S U.S. BALANCE OF PAYMENTS ($m)**

| | 1978 | 1977 | 1979 |
|---|---|---|---|
| Exports from domestic operations | | | |
| To customers | 385 | 323 | 292 |
| To subsidiaries | 358 | 320 | 295 |
| Total exports | 743 | 643 | 587 |
| Net dividends from International affiliates | 45 | 35 | 33 |
| Proceeds from European divestiture | 193 | — | — |
| *Other receipts* | 36 | 24 | 19 |
| Total dollar inflow | 1,017 | 702 | 639 |
| Total imports | 226 | 223 | 204 |
| International investments | 60 | 27 | 41 |
| Repayment of loans | — | 2 | 57 |
| Other disbursements | 80 | 53 | 65 |
| Total dollar outflow | 366 | 305 | 367 |
| Net Favourable Balance | 651 | 397 | 272 |

*Source: Union Carbide 1978 Annual Report*



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LOMBARD

# Beware of the Defence Lobby

BY SAMUEL BRITTAN

Nearly all would-be radical governments are forced to change course; and it would be sycophantic to suppose that Mrs. Thatcher's will be exempt from this generalisation.

The conventional prediction is that Thatcher policies will bring about "confrontations" with the unions which will be lost, and that industrial trouble will force the government into the same reversals in which the Heath Administration was involved. In fact history rarely repeats itself in quite the same way.

My own hunch is that the main threat to Conservative plans for a more market based economy will come from a very different direction: from the defence lobby allied with the forces of trade protection.

## Tariffs

Lord Kaldor never ceases to remind us (although he means it as a back-handed compliment) that the Conservatives have traditionally been the high tariff party. They have also been the party favouring high "defence" (by which they mean military) spending. In the period of Joseph Chamberlain and Lord Milner, belief in Imperial Defence, Imperial Preference and state intervention on behalf of British industry went together

So-called "right wing radicals" such as Mrs. Thatcher and Sir Keith Joseph combine the Cobdenite tradition of free trade and free markets in economic policy with Tory belief in higher defence spending and a stronger foreign policy. This is a compound which may not be able to stay together for very long.

The fashionable argument in the Tory leadership is that a fairly modest addition to defence spending could help to discourage Soviet aggressive intentions without interfering with plans to cut back total public spending as a proportion of the national product. We would indeed be lucky if so much extra defence could be purchased with so little extra resources.

The western nuclear shield is a collective good for the whole NATO alliance. As such it is in the interest of every small or middle size member to contribute as little as possible while sheltering behind the collective umbrella. Only the U.S. is a large enough proportion of the whole alliance to have a selfish interest in providing an adequate shield whatever other members do. If the UK alone steps up military spending, the result is more likely to overload the British economy and to provide a respectable Conservative pretext for unsound finance than it is to encourage other NATO members to do more.

Moreover once the military lobby has had a little bit of its way, its appetite will be whetted for more and more. This is especially true as the threat about which Conservatives feel most strongly is not a direct Soviet attack in Europe but Communist penetration in Africa and Asia. The dividing line between genuine internal revolutionary movements and outside subversion is impossible to draw; and attempts to "call a halt" in these two continents could lead to endless expenditure, as well as taking us into morally dubious areas.

On being warned that if he left Algeria, the Russians might penetrate there, Gen. De Gaulle replied "I wish them much joy of it."

The connection between military spending and trade protection is only partly historical. Even today some of the Conservative MPs most keen on a really large defence budget are also those most sympathetic behind the scenes to the Cambridge case for protection. Moreover when it comes to a crisis, Conservative ministers are not as easily impressed by the august international bodies such as the IMF and the GATT, which officials trot out to prevent Labour ministers going too far along the protectionist route.

In the Heath administration defence considerations had a great deal to do with a last-minute rescue of Rolls Royce.

The present Conservative desire to make more use of the market place is still somewhat thin and cerebral—and one which gave nightmares to the political professionals and PR men who had all too much to do with the election campaign. On the other hand the military, aerospace, "high technology," agricultural and Eurocrat lobbies are very much alive and real. In combination they can exert the kind of pressure on the Conservatives that the union interest can on a Labour government. It is in their direction that those who are instinctively sceptical of all new government promises should now be looking.

# Why Anjou is still largely in the pink

WINE

BY EDMUND PENNING-ROWSELL

TO THE general wine-drinking public Anjou means one thing—rosé. And not without reason, for over half the total production of the region, which averages about 1m hectolitres a year, is either Rosé d'Anjou or Cabernet d'Anjou. Moreover it it a fair guess that Anjou's pink wines have recruited more tyro wine drinkers than any in the more sophisticatedly celebrated districts of France. For they look pretty in the glass, have an invitingly slightly fruity aroma, appear innocuously unalcoholic, and have the slight sweetness encouraging to the neophyte. Those of us for whom wine did not begin with barsac (almost certainly non-*appellation contrôlée* from the local licensed grocer) surely started by imbibing rosé and more likely than not to have been an Angevin one rather than, say, Tavel, the élitist from the Rhône.

Moreover if in our later rosé wine-drinking life we have for serious occasions turned to wines either deeper or paler in colour, a glass of fresh Anjou Rosé can be very agreeable in summer, and with more flavour than many of the well-promoted "chilled white wines" that are often frozen into flavourless anonymity.

Anjou Rosé is made partly from the Cabernet Franc and the Malbec (hereabouts called the Cot) of Bordeaux, the local Pineau D'Annis and Groslot, and the Gamay of Beaujolais. The sweeter Cabernet d'Anjou is less indiscriminate, and must be made from the Cabernet Franc alone; and it must have a minimum alcoholic strength of 10 per cent, compared with the modest 9 per cent for the simple rosé. There is also a more recent appellation, Rosé de Loire, which must contain not less than 30 per cent Cabernet, as well as the varieties commonly used for the basic type. It is the dryest of the three.

A very large proportion of these rosés is exported, and one of the biggest exporters is the co-operative at Brissac, known as the Caves de la Loire; for it is a union of three local co-operatives. Founded as recently as 1950, it has 450 members and 1500 ha. Sixty-five per cent of its average output of 75,000 hl. is rosé, and nearly half of that is the superior Cabernet. We in Britain are among its largest export customers, second only to Holland. A substantial client here is Marks and Spencer. Within France they sell a great deal direct to private customers.

Although Anjou is inextricably associated with rosé, the production of red wine is increasing, and somewhat at the expense of the former. Ten years ago Anjou Rouge accounted for only 5,000 hl, today it is 50,000 hl and is expected to rise further. It already represents 20 per cent of Brissac's output. Made from Cabernet, Pineau and Cot, it is an agreeable no-nonsense red wine for drinking early. The '76 is drinkable now; but the '77 is probably best avoided, like almost all the Loire wines in a vintage as meagre in quality as in quantity.

Another inexpensive red is Anjou Gamay, which has something of the "cut" that distinguishes beaujolais, but without that wine's style. It may well be served a little fresh, like basic beaujolais. I find the red Anjous to have more character than the medium-dry whites, which are rather dull and can be on the heavy side.

It is not always remembered that Anjou includes Saumur, notable for its sparkling wine made exclusively by the champagne method of fermentation in bottle. Indeed there was a time when it was sold as "the champagne of the Loire," but that ceased when the Champagne area was delimited before World War I.

Basically sparkling Saumur is made from the typical Loire white grape, the Chenin, but the Cabernet and Chardonnay are used in small amounts. The result is a fairly full-bodied, less elegant wine than champagne, but one that is agreeably fruity though dry, and certainly preferable to those rather green champagnes that get by with the wedding cake—the opiates of the catering people.

Rather as armagnac has suffered from the greater réclame and resources of cognac, so sparkling saumur has lain too much in the shadow of champagne. In France it has had to compete in price with low-priced champagne only a few francs a bottle dearer, but here it is not much above half the price of a good champagne.

As those will appreciate who have visited the splendid deep cellars, hewn out of the Loire tufa, of such firms as Ackerman-Laurence, Veuve Amiot, Bouvet-Ladubay and Gratien, Meyer, the wine is made with great care and expertise. Most keep their bottles more than the minimum of nine months required, but sparkling saumur is not a wine to hold long. Total yearly production is 7m-8m bottles. Widely available here, I am often surprised that it has not a larger sale—partly, no doubt, because some of its rivals, including other French *vins mousseux*, have larger advertising appropriations.

In 1975 another sparkling Loire AC was created: Crémant de Loire. The permitted maximum yield from the still wine grapes is smaller than for saumur, the grapes are pressed less strongly and, like all *crémant* wines the pressure is less. The result is a lighter, more acid wine than a normal saumur mousseux, and it is particularly attractive as an aperitif. It is rather dearer than saumur, and not confined to Anjou, though several of the firms in saumur make it.

Saumur also produces an agreeable red wine, Saumur-Champigny, made from the Cabernet and Pineau. The output of around 20,000 hl. is rising, and the wine can be more full-bodied than most Chinon and Bourgueil, though light compared with burgundy or bordeaux.

Anjou's most esteemed dry white wine is Savennières, from the right bank of the Loire to the west of Angers. Another Chenin wine, it has to have a higher alcoholic content than other Angevin wines, and its most famous vineyard is Coulée de Serrant, in one ownership, and a distinctively dry wine. Similar is Roche-aux-Moines. Overall there are only 100 ha in Savennières, divided among 15 growers.

An even smaller number, nine to be exact, share one of France's finest sweet wine vineyards, Quarts de Chaume. This and Bonnezeaux are the leading wines of the Coteaux du Layon. They have more acidity than sauternes and are therefore fresher to the taste. Moreover they are not matured in wood as sauternes are, but bottled in the spring following the vintage. That does not imply that they should be drunk young, for all the Layon wines of good vintage deserve 10 years' aging. One of the best Layon vineyards is Clos St. Catherine, and recently here in England I drank the still pale '59 with much enjoyment. The Layon wines are less sweet than the two leaders, and the adjoining Côte d'Aubance are dryer, though still what the Italians call *amabile*.

These Anjou sweet wines are very good value for money, and some bottles are worth investing in for summer drinking.

From this all too rapid survey of this central section of the Loire wine districts, it will be seen that Anjou's rosé exterior image conceals a range of wines both varied and relatively inexpensive. Certainly like all Loire wines, suffering from inadequate vintages and a shortage of stock, they are no longer as cheap as they were, but it is unrealistic today to expect to buy AC wines at *vin ordinaire* prices. Those daunted by the prices of wines in other French fine wine districts should take a look at Anjou and Saumur.

# Cauthen looks set to triumph

RACING

BY DOMINIC WIGAN

TAP ON WOOD, who ran gamely for 19-year-old Steve Cauthen to deprive the equally courageous Kris of victory in the £56,000 2,000 Guineas, is expected to go to Epsom for the Derby.

A 12-1 chance in some quarters for the 200th running of the blue riband—Tap On Wood is top-quoted at 25-1 by the Tote.

Even at the latter odds, the Barry Hills-trained colt does not appeal to me as a Derby bet.

Despite the asset of those tremendous qualities of toughness—he made 13 racecourse appearances as a juvenile—and gameness, Tap On Wood does not look like a mile-and-a-half performer and is probably some way short of the class necessary to win Britain's greatest classic.

Furthermore, Hills clearly *thinks that Tap On Wood is* not yet a Derby prospect, for he rates stable companion, Galaxy Libra, who goes for next week's Mecca Dante at York, his best chance of landing the Epsom classic.

Turning to today's racing, it will be fascinating to see how Tap On Wood's rider, Steve Cauthen, adapts to Chester, where even the most versatile of overseas riders have had problems.

Cauthen, whose remarkable composure and judgment have contributed tremendously towards his riding some of Europe's trickest courses with almost matchless skill, has his first taste of Chester on Soaf in the Lily Agnes Stakes.

A promising third of 12 behind Ashleigh Boy on his debut at Wolverhampton early last month, this Auction Ring colt has since completed a quick double. If, as I believe, Kalisa Sasi's bay is still on the upgrade, he should have few problems in disposing of previous winners, Willowbrook Flyer and Rubber Duck.

The unraced Princess Adeline *is the only other member of the* field and this Reg Hollinshead filly would have to turn in an extraordinary performance to do well on her first Chester outing.

Three other likely looking chances for Cauthen are Leader Of The Pack, Neparree and Fidibus. I particularly like the chance of the American-bred Neparree in the Ladbroke Chester Handicap, in which Overloop bids to repeat his success of a year ago.

In a tricky looking race for the Group Three Chester Vase which a year ago went to *Icelandic, an 8-1 chance, in a* four-runner field, I shall again be pinning my hopes on Armistice Day, who was in need of the run at Epsom. Warmington, taken off his legs at an early stage in the Craven Stakes by both Lyphard's Wish and Tromos, could provide the chief threat.

**CHESTER**

2.15—Soaf**
2.45—Leader Of The Pack
3.15—Neparree***
3.45—Armistice Day
4.15—Johnson*
4.45—Late Idea

# TV Radio

† Indicates programme in black and white

## BBC 1

9.10 am Schools. 12.45 pm News. 1.00 Pebble Mill. 1.45 The Flumps. 2.00 You and Me. 2.14 For Schools. 3.15 Songs of Praise. 3.55 Play School. 4.20 Animal Magic. 4.40 *Tarzan Lord of the Jungle.* 5.00 John Craven's Newsround. 5.05 Stopwatch. 5.35 Paddington.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.50 One More Time!
7.20 Film: "Running Wild," starring Lloyd Bridges.
9.00 News.
9.25 I Didn't Know You Cared.
9.55 Unloved Flows the Thames.
10.45 Tonight.
11.25 Multi-racial Britain.
11.55-12.00 Weather / Regional News.

All regions as BBC-1 except at the following times:—

Scotland—5.55-6.20 pm Reporting Scotland. 6.50-7.20 The Osmonds. 10.45-11.20 Tuesday Night. 11.20-11.50 Multi-racial Britain. 11.50 News and Weather for Scotland.

Wales—4.40-5.00 pm Tren Sgrech. 5.55-6.20 Wales Today. 6.50-7.20 Heddiw. 11.55 News and Weather for Wales.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 6.20-6.50 Land 'n' Larder. 6.50-7.20 Score for Sport. 11.55 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth). 6.50-7.20 East (Norwich) Spot On! Midlands (Birmingham) The Cheapest Show on the Telly. North (Leeds) It Seems Like Yesterday. North-East (Newcastle) Tuesday North. North-West (Manchester) Surprisingly It's Spring. South (Southampton) In Honour Bound. South-West (Plymouth) Peninsula. West (Bristol) Movie Magic.

## BBC 2

6.40-7.55 am Open University.
10.30 It's A Great Life.
11.00-11.25 Play School.
2.00 pm Racing from Chester at 2.15, 2.45, 3.15 and 3.45.
4.50 Open University.
6.55 Realidades de España.
7.20 News.
7.30 Making a Bob or Two.
8.00 It's a Small World.
8.10 Brass Tacks.
9.00 Call My Bluff.
9.30 The World Championship of Tennis from Dallas, Texas.
10.20 Top Gear.
10.50 News.
11.05 The Old Grey Whistle Test.
11.45 Fox Watch.

## LONDON

9.30 am Schools. 12.00 Just So Stories. 12.10 pm Rainbow. 12.30 The Cedar Tree. 1.00 News. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus. 2.25 Tuesday Matinee. Film: Shirley Jones in "Winner Takes All." 4.20 Get It Together. 4.45 Magpie. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames At Six.
6.25 Help!
6.35 Crossroads.
7.00 Survival.
7.30 Attila The Hun (film) with Anthony Quinn, Sophia Loren.
9.00 ITV Playhouse.
10.00 News.
10.30 A Walk in the Lake District.
11.15 Barnaby Jones.
12.10 am Close.

## ANGLIA

[illegible]

## ATV

[illegible]

## BORDER

[illegible]

## CHANNEL

[illegible]

## GRAMPIAN

[illegible]

## GRANADA

[illegible]

## HTV

1.20 pm Report West. 1.25 Report Wales. 12.25 "Jolly [illegible]

(film) with Leo McKern. 5.15 Malotoons. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Great Outdoors. 7.00 Definition. 7.30 The Tuesday Movie: "Nightmare in Chicago" (film) with Robert Ridgely. 11.15 Westside Medical.

HTV Cymru/Wales—As HTV General Service, except: 1.20-1.25 Penawdau Newyddion. 4.20-4.45 Goglis. 6.00-6.15 Y Dydd. 10.30-11.15 Bywyd.

## SCOTTISH

[illegible]

## SOUTHERN

[illegible]

## ULSTER

[illegible]

## TYNE TEES

[illegible]

## WESTWARD

[illegible]

## YORKSHIRE

[illegible]

## Radio Wavelengths

1 1089kHz/275m 1089kHz/275m
2 693kHz/433m 909kHz/330m & 88-91vhf stereo
3 1215kHz/247m & 90-92.5vhf stereo
4 200kHz/1500m & 92-95vhf
1458kHz, 206m & 94.9vhf
1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

## RADIO 1

(S) Stereophonic broadcast

[illegible]

## RADIO 2

[illegible]

## RADIO 3

[illegible]

## RADIO 4

[illegible]

## BBC Radio London

[illegible]

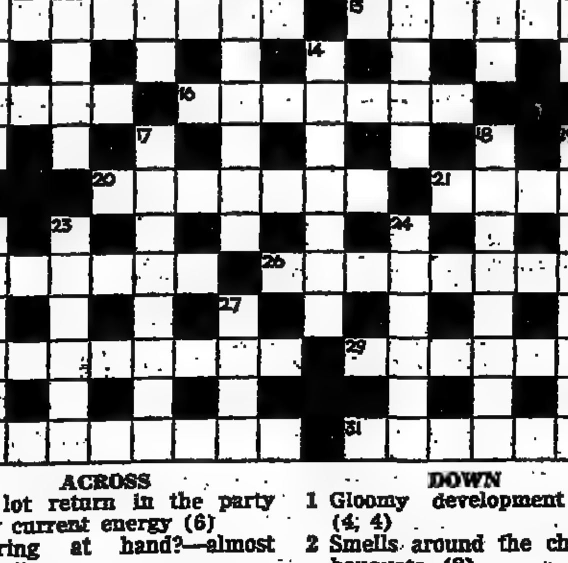
## London Broadcasting

[illegible]

## Capital Radio

[illegible]

## F.T. CROSSWORD PUZZLE No. 3,965



ACROSS

1 A lot return in the party for current energy (6)
4 Spring at hand?—almost (4, 4)
9 Flower from the Red Sea (6)
10 Fit repetition expressing surprise (4, 4)
12 Reginald shortly goes to French city as a rule (8)
13 Wager about the sick quarters (6)
15 Agate follows on with two unknowns (4)
16 A little car—not a word—it's the least we can do (7)
20 "She stood—amid the alien corn" (Keats) (2, 5)
21 The type I see in father (4)
25 Gaudy insect round a tree (6)
26 Such as Lamb or Hazlitt (8)
28 He is all for la dolce vita (8)
29 One of the twins is a runner (6)
30 Endeavour to include an article of underwear in burlesque (8)
31 Looks at the weight in a ship (6)

DOWN

1 Gloomy development area (4; 4)
2 Smells around the cheerful bouquets (8)
3 Doctor found in river in Indian province (6)
5 Note to study in the garden (4)
6 Swift traveller was a giant here (8)
7 Ladies can be upset by standards of perfection (6)
8 Male groups are nothing but serfs (6)
11 Scores of clerks (7)
14 Sappers in lodgings introduce what is irrelevant (7)
17 Running the show, or if given first, arrested (2, 6)
18 Nun gets round in what is left (8)
19 "Tomorrow to fresh woods and —— new" (Milton) (8)
22 Compensation for TV not working (6)
23 Greek letter gives innocent victim to the Public Prosecutor (6)
24 Ability in the grip of tax is void (6)
27 Cancel correction in proof (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

# ENTERTAINMENT GUIDE

**Royal Court**

## Bent by B. A. YOUNG

*Bent* is really two plays about the same man, a young German named Max. We first meet him in Berlin in 1934, a homosexual playboy living with a young dancer, Rudy. After having carelessly picked up one of Karl Ernst's SA boyfriends in a gay club, they have to go on the run, but are ultimately arrested by the Gestapo. On their way to Dachau, the guards make Max help them to beat Rudy to death.

In the second act, Max is in the concentration camp, where he has cunningly arranged to be a Jew instead of a homosexual. Here, in spite of the ferociously restrictive regime, he starts an affectionate friendship with Horst, a fellow-prisoner who is an admitted homosexual. Horst develops tuberculosis, so Max, always a bit of a fixer, gets him some medicine by pleasuring an SS captain, pretending that it is for himself.

When the captain finds out that he has been conned, he kills Horst by means of a Gestapo game known as the "hat trick," which finishes with the victim against the electrified wire. Left alone with the body, Max changes coats with his dead comrade and, standing proudly revealed with the pink triangle of a homosexual on his breast, electrocutes himself.

Martin Sherman, the author of this play, clearly has a generous theme in his mind, that homosexuals are as capable of love and self-sacrifice as heterosexuals are. This theme has long ago become a cliché in the theatre, especially the American theatre, and it is not illuminated by this series of stereotype situations peopled with stereotype characters. The only novelty Mr. Sherman offers us is in the Dachau scenes in the second act, where Max and Horst, during the periodical three-minute breaks in their labour, show the depths of their mutual love by bringing one another to orgasm by talking about it.

Everything else in the play has been gathered from existing writing, and films, about Nazi Germany. As these predigested thoughts are presented in predigested dialogue, it is hard even for an actor as good as Ian McKellen, who plays Max, to persuade us that we are seeing human beings in action. Little Rudy, the dancer, is rather touchingly played along well-established lines by Jeff Rawle, and Tom Bell does what he can with Horst—little enough in a part where thought is so shallow and action so firmly circumscribed by prison routine. The other characters are just little cut-outs from films and books.

The director, Robert Chetwyn, has evidently given up hope of breathing life into the script except by cheating, so that the three-minute intervals in the very slackly supervised camp last at least twice as long, and the fiercely monotonous work of moving rocks about is so idly performed that Max and Horst have lots of time to chat, and are never checked for it.

**Festival Hall**

## Leppard & Baker by MAX LOPPERT

The English Chamber Orchestra began Friday's concert with a fair amount of 18th century chitchat — Cimarosa's Overture to *I traci amanti* (notable for some frothy tunefulness on Neil Black's impeccable oboe) and Boccherini's D minor Symphony, Op.12 no.4 notable for some barefaced cribs from Gluck's *Don Juan* ballet). Cimarosa and Boccherini become delightful when, with Raymond Leppard conducts them. Whatever we miss in "period" authenticity of the orchestral sound he prefers, no one else has his knack of turning period cliché into elegant and forthcoming musical exchange. He has been absent from London a little too long.

The conversation took a more serious turn with Britten (*Phaedra*) and Mozart (the G minor Symphony), and, before them, Haydn's cantata, "Miseri noi, misera patria." This brought another peerless musician onto the platform. Janet Baker has no equal in mastery of the classical style, in pouring emotional expression into recitative without spilling over the boundaries of the line, in drawing meaning from florid writing. Robin Golding's programme note spoke of Haydn's "curiously detached manner;" in Dame Janet's performance it did not sound that way. The voice, no longer beautiful or consistent throughout its compass, is more than ever a supreme interpretative instrument.

I had not heard *Phaedra* since Dame Janet gave its first performance at the 1976 Aldeburgh Festival; and, three years later, was struck even more forcefully by its lean, rangy power of expression. The stripping away of surface attraction during the final phase of Britten's compositional career had sometimes the effect of leaving little substance beneath. No so in this cantata, whose hard-edged sonorities and flinty resourcefulness in developing its basic material seem to proceed from a single dramatic impulse. In Peter Evans' mammoth new study, *The Music of Benjamin Britten* (to be discussed more fully in these columns on Thursday), the employment of the harpsichord as "continuo" is criticised for its lack of weight relative to the mass of strings. But by Mr. Leppard the balance was exactly held, and he sounded the harpsichord with a keen sense of the peculiar tang and electricity its tones lend the music. Of Dame Janet's performance there is nothing to add in the way of praise; except that I should now like, once at least, to hear the piece rendered by an entirely different kind of mezzo voice —a naturally glamorous, tonally voluptuous kind.

## Scottish Opera plans

Peter Ebert, General Administrator of Scottish Opera, announcing the company's plans for the 1979-80 season, regretted that the total number of performances would have to be reduced because of the lack of a relatively small sum of money. Nevertheless, Scottish Opera will introduce five new productions into its subscription scheme at The Theatre Royal, Glasgow: *Eugene Onegin*, to be premièred at this year's Edinburgh Festival; *Orfeo ed Euridice*, with Dame Janet Baker as *Orfeo*; *Don Giovanni*, sponsored by the National Westminster Bank in its first operatic foray into Scotland; *The Makropoulos Case*, third in the Janacek cycle mounted in association with Welsh National Opera; and *L'elisir d'amore*. In addition, there will be revivals of *Pelléas et Mélisande*, *The Bartered Bride*, *Rigoletto*, and *Peter Grimes*. Scottish Opera will also make two visits to Sadler's Wells Theatre, London, in autumn 1979 and spring 1980, when the repertory will include Thea Musgrave's opera *Mary Queen of Scots*.

ELIZABETH FORBES

**Colnaghi/Browse and Darby**

## The promise of the Orient by DAVID PIPER

Colnaghi has (until May 19) its third exhibition of Persian or Mughal art in four years. This time (*Paintings from Mughal India*) the focus is on the miniature painting, not only the refined court version but early popular adaptations of early Mughal, and of the more formalised art of the Deccan. On the pop side, the vision of the prophet Moses, with the giant Gog in white pyjamas and orange cloak, alone is worth the visit. The jewel-like brilliances of Mughal art took strangely long to appeal to any large section of British taste, even though in style the nearest things to them in all European art were the Elizabethan miniatures of Hilliard and Oliver, in England. However, any neglect has now been amply remedied (and prices have also, alas, responded accordingly) while contemporary artists, too, have fallen for the peculiar fascination of the Indian miniature. If the most original innovations acknowledging their inspiration are the glowing, near-abstract paintings of Howard Hodgkin, I suspect that in a quite different way they may be reflected in David Hockney's double portraits in interiors, with their so exactly contoured clarity of isolation in togetherness.

At Colnaghi, the high quality of previous exhibitions is sustained. There is even one of the illustrations from the prestigious seminal sequence, "the cradle of Mughal painting," the *Hamza-nama*, painted for Akbar around 1570. The variety of subject matter popular in the refined court style of mature Mughal painting that developed out of that bold and vigorous amalgam is fairly comprehensively represented. In a shadowless world, brimming with vernal crystal light, human beings and animals seem to accept that their prime function in life (or death) is to play their proper part as elements in a decorative ensemble as elegant and precise and unimpassioned as the works of a jewelled watch. Through stylised, complexly rocky landscapes, punctuated with the occasional tree and skylined with minaret and dome, royalty pursues its prey. The emperor Jahangir, albeit at a dangerous angle on his elephant, calmly raises aloft his slender spear to plunge it vertically into the lion that is mauling one of his huntsmen, despite being cloven already by Prince Parwiz's sword. Everyone's expression is of almost serene concentration, even the lion's, even the savaged huntsman. The elephant's eye, lurking like some tiny alien life within its vast body, may seem to register some satisfaction at having the lion's rear leg so firmly entwined in its trunk. It is true that, in a painting of a king discovering one of his high-ranking officials, a venerably white-bearded ancient, lolling in exhausted slumber and the debris of an ample supper after orgy with his catamite, the king's features do seem to register pained surprise at this revelation of the frailties of the flesh, but generally evidence of any emotion at all is rare.

This is an art of the profile. Three-quarter views of the head may occur (though the full-face one apparently never), but the characteristic view of the fact is aloofly profile: large almond eyes looking straight ahead, eyebrows slightly raised, an aura (that may be reinforced in portraits of exalted personages by a halo) of mild benevolence. Even the feet may process, sometimes slightly independent of the general allure of the body, together in profile in a rather Egyptian fashion. But you are not invited to participate; in portraits the subject is strictly for admiration.

Prince Azim ush—Shan Kishengarch

The erotic element is, of course, here too, though the selection does not include any of those highly explicit scenes that until very recently tended to be shut away in locked cupboards by Western owners. But here a princess is led to bed under a canopy under a starry midnight sky. Her eyes are closed; her arms, about her attendants' shoulders, seem only just to support her: a popular subject, notes the catalogue, though the bed, here empty, tends more usually to be already occupied by an expectant prince. That is Mughal, about 1760. The action is staged in a beautifully constructed 3-D composition. In a more stylised, schematic composition from the Deccan, about 1660, a princess is being awakened by a servant massaging her ankles while another fans her; musicians play, breakfast awaits in a still life of delicately pellucid clarity, and the night time candles burn low. (It once belonged to Warren Hastings, a nabob who did not waste his opportunities and was not indifferent to art.)

In the painting of the Deccan, the patterning becomes more symmetrical and flat; any suggestions of perspective all but evaporate. There is a strange and compelling image of Muhammad Jang seated confronting a courtesan ("high-class"); the flowered carpet on which they sit is stretched from left to right, flat and parallel with the picture-plane. Between them, a strip of water with fountains playing on it, instead of receding into the picture, rises vertically, again parallel to the picture-plane and together with the carpet forming a cross about which all else is disposed. The man holds a pink flower almost touching his lips; the woman similarly holds the mouthpiece of a hookah near her lips. The gesture (seen here elsewhere in portraits) is oddly familiar now, being exactly that of a pop singer with hand-held microphone. Only here, all is silence and slow time, in the ritual of a ceremonious existence. Perhaps the most enchanting example of elegantly disposed decoration though is a Moghul one, a marvellous swell and coo of fancy pigeons in pairs having a love-in about 1660. "The amusement" (quotes the admirable catalogue) "which his Majesty derives from the tumbling and flying of pigeons reminds of the ecstasy and transport of enthusiastic dervishes." The minute fineness of the drawing, its precision and delicacy, are matched by the sureness with which the birds are placed about the background.

For contrast, you can see (until May 25) at the delightful little exhibition at Browse and Darby in Cork Street, line used for diametrically opposite purpose. Line not contouring and describing the literal profile of a moving body as if frozen in a frame from a film, but achieving the illusion of motion itself. There is a Degas drawing (most covetable object I've seen for months) of horse and jockey seen from behind, that conveys the dancing motion of a reined-back restless and nervous horse, the alert and subtle adjustment of its rider to its movement, with such vitality and accuracy that one's own whole body adjusts in sympathy to it.

Rodin's drawings are, of course, other. In age, after about 1900, he did them almost like breathing (there are said to be more than 7,000 in the Musée Rodin), eyes fixed on the model, without looking at the paper while his hand moved the pencil across it. Hit and miss, inevitably, but the hits are riveting. A female nude, for example, seen from the back; the light almost tremulous pencil line not coinciding exactly with the contours of the subtly modulated hues of palest water-colour wash, but indicating possibilities of movement no less than a sensation of the volume of the figure. Rodin's small bronzes here include some from those very broadly modelled terracottas inspired around 1910 by free dancers such as Loie Fuller or Isadora Duncan. Extraordinary as they are, in their expressiveness, their modernity, I am not sure that juxtaposition here with Degas' bronzes of dancers in poses from classical ballet is entirely kind or fair to Rodin (Degas never attempted a Balzac). But the taut control, the electric vitality of Degas' dancers as of horses in bronze is well represented here. These bronzes are best seen thus in the informal surroundings of a small intimate gallery, while the juxtaposition with Rodin may cause you to ponder Renoir's claim that Degas (who exhibited only one piece of sculpture in his life) was the greatest sculptor of the whole 19th century.

## Pollock at Oxford by WILLIAM PACKER

Abstract Expressionism, the New York School's great contribution to Modern Painting, crossed the Atlantic to reach a wider world in the middle and later 1950s; and what in fact it was that so surprised, impressed and affected our delicate European sensibilities was the maturer work of that first, extraordinary, pioneering generation. Those artists had achieved at last what the more breathlessly chauvinistic of their apologists were inclined to call their "breakthrough into style," what we now know to be their final, recognisable, marketable commodity. But tie passes and views change. From our side of the Ocean the relation of New York painting to Modernism at large has for many years been as obvious as it is fascinating, uniqueness and originality not quite so much its point. And now a number of important recent shows and studies in America itself suggest that the point has indeed been taken at home.

The huge Mark Rothko retrospective at the Guggenheim last autumn, and the concurrent examination of The Roots of Abstract Expressionism at the Whitney, were particularly strong in allowing that the evolutionary work of the Forties, and even earlier, was in many cases not merely of the first importance to art history, but qualitatively among the very best work of all. Only the catalogues of these treats, notably Diane Waldman's "Mark Rothko," have reached us here, but there is still the chance to see this new emphasis confirmed in the small and very beautiful exhibition, now in its last week at the Museum of Modern Art in Oxford (lent by MoMA, New York through the agency of the Arts Council), of the drawings of Jackson Pollock.

Pollock died in a car crash in 1956, aged 44, and by a curious chronological transfer we readily assume that his greatest, most revolutionary work dates from the period of his celebrity and matching notoriety in the few years after 1950, all spatter and drip, the chief of the Action painters. But here we see clearly that the Forties are the period of his greatest achievement, from the work war years, so closely dependent upon the surreal expressionism of such Europeans as Miro and, above all, Picasso, to the later, almost oriental calligraphy at the end of the decade. By the later Forties the work is entirely non-figurative, unspecific, the drip technique fully developed, figures and associations no longer to be conjured out of the flames, simply a densely layered mesh with a final, more open gesture fused on to it but still distinct. And then the mood begins to lighten, the mesh to stretch and open up, the white ground of the paper to come forward again; and the natural affinity of it all with that precise and elegant, and so controlled, eastern tradition becomes inescapably apparent.

By a happy chance the elder Pollock brother, Charles, is showing his recent work in London (at Acme until May 18), paintings that are altogether different in intention and ambition, more self-consciously beautiful and contemplative, architectonic rather than active. Diagonal shafts of colour lie flat on the surface, but fractured, and flickering rather, as though specs of dust are falling slowly through them in a still and sunny room, bringing them to life.

**New Vic, Bristol**

## Timon of Athens by B. A. YOUNG

*Timon of Athens* is a diagrammatic play. Only one character, Timon himself, is drawn in depth; Apemantus and Alcibiades, though they are shown in bold, broad strokes, are only cartoons. The rest, except Timon's faithful steward, are ciphers designed to demonstrate the propositions of Shakespeare's social geometry. If they appear more than once, it is only to reveal the difference in their attitudes towards Timon rich and Timon poor. E. K. Chambers suggested that the play is a first version that was never finished, and certainly the raggedness of the verse, poetic as much of it is, sometimes suggests rough notes rather than polished completeness.

Adrian Noble's production for Bristol is certainly diagrammatic, but his diagram, like Shakespeare's, has the elegant logic of the figure for Pythagoras' theorem. It is mounted on an island stage like the top of a Zeppelin; 14 players take 41 parts, besides the miscellaneous soldiers, servants and Amazons. The vigorously differentiated costumes that such a procedure calls for are the work of Bob Crowley, and the production is always as handsome as it is clear.

Moods are quickly set with colour. There is white for the four sycophants hanging about the court at the beginning. Three senators in black march wordlessly across the stage, clearing the country like a troop of tanks. Timon arrives richly robed in old gold; Apemantus is swathed like a mummy in bandages that look as if they covered suppurating sores. Alcibiades wears rifle-green; as soon as he and Timon meet, they practise wrestling falls. The décor is a kind of dramatic shorthand.

A lot of the writing is short-hand, too. "Who the Lord Timon? He is my very good friend "—surely this was a note to be filled out later. The actors' chances come in the big speeches, and they are ably taken here. John Shrapnel is perhaps a shade too excitable in his days of prosperity, which is a risk to the anger he has to express later; but his fury at the barmecide feast—not to mention the fury of his guests—and the bitterness of his curses upon Athens are in the grand scale. I was sorry, though, that he left out the line about his epitaph, to me the most chilling line in that very chilling speech.

Alcibiades, who seems like a sketch for Coriolanus, is given an aristocratic passion by Sean Scanlan; his plea for an unnamed friend (another purely diagrammatic episode) is spoken with an interesting gradation from courtesy to contempt. Peter Postlethwaite keeps Apemantus incisive from first to last, no light job when you consider the changelessness of his emotions. He even makes points by the expression on a face that has been reduced to a mere basic assembly of features.

I can only offer an omnibus tribute to the others, who have little chance to do more than speak the lines intelligently, which they do; but a special word for the white-faced Amazons in their amazonian dance, devised by Clive Wood, also seen as Lucius, Caphis, Fourth Senator and one of the whores in the last act. And a curious enquiry: why did not Alcibiades read Timon's epitaph at the end?

**CRICKET** BY TREVOR BAILEY

# Some changes—but not enough

THE GAME'S administrators have at last realised the damage done to our own young talent by the import of too many overseas players.

These have now been restricted to one per county, but the new ruling will not be felt immediately, as until 1982 a club can continue including two players who are not qualified to play for England.

Of course, what really did the harm was not so much playing one, or even two players who had learned their trade abroad, but the gradual build-up of mercenaries so that there were counties with three, four and even five in the side.

For a long time it has been obvious that too many bouncers were being bowled in both international and domestic cricket. The Test and County Cricket Board has introduced a law into this summer's county one limiting bouncers to one per over.

One source of the surfeit of bouncers has been the numerous overseas pacemen. It often appeared that Croft, during his stay with Lancashire, thought the main target to be the opposing batsman, rather than the stumps.

However, the chief cause for the excessive use of bouncers has been the inability of so many batsmen to play or avoid them with real confidence. As a result bouncers have become such a profitable wicket-taker that even the medium pacers are including them in their repertoire.

Another change the administrators need to make is a revision of the fixture list. This year there has been the additional problem of fitting in the Prudential World Cup into a summer already committed to a Test series and four different county competitions.

Certainly there is a good case for commencing the season in May, rather than April and continuing until the second week in September. Apart from anything else, it would reduce the chances of snow stopping play!

Although any form of cricket would have suffered from the weather we have recently had to endure, when it has frequently been too cold to play, let alone watch, these conditions are especially ill-suited to limited overs matches. The one-day game which is forced to limp dismally into a second and a third day is both unsatisfactory and a financial disaster.

In the case of the recent Middlesex v Notts fixture three days was still not enough to complete the scheduled number of overs.

The normal first-class match is better equipped for the vagaries of the weather than a limited-overs one. It is therefore obvious that April is not the ideal time to begin the Benson and Hedges Cup.

This year the competition occupies four Saturdays and one Wednesday, with two back-up days for each game, and stretches from April 28 to May 25. The knock-out section, when the tournament might be said to come alive, takes up a further nine days, culminating in the final on July 21.

In other words, 24 days have been set aside for the Benson and Hedges Cup, but the finalist can receive or bowl is a mere 385, while nearly half the clubs have to settle for under 200 overs, which suggests too much time has been allocated to this tournament. I believe it is possible to reduce the days lost and to improve the competition.

The first thing to recognise is that the allocation of three days for a limited overs League match is not essential, otherwise the John Player League would not work. Second, the odds of completing a one-day game are higher later in the summer than in April and early May.

If the Benson and Hedges Cup started in late May, probably including the Whit week-end, or in the first week in June, it would be possible to complete the whole zonal section, which at the moment costs money, in a week. To reduce travelling and expenses the 17 first-class counties could be zoned into three groups of four and one of five—changed each year.

The matches to decide the eight clubs to go forward into the knock-out section could be played on the Saturday, Monday and Wednesday, and, in one group, on Tuesday as well. This would leave Thursday and Friday to clear up any loose ends, as well as Tuesday for all but one area. As a last resort 10-over "slogs" could be used.

The quarter-finals would then be staged a week later on a Saturday and the semi-finals and final would continue as before, with three days available for the knock-out section.

A tournament on these lines would save the clubs money and nine days of cricket. As the existing competition suffers from untidiness, the sponsor would gain from the increased continuity, compactness and interest, plus three Saturdays and a Bank Holiday when they would not be competing with the weather, promotion struggles and the cup final. Such a format might well appeal to television.

**TENNIS** BY JOHN BARRETT

# Chris Evert-Lloyd battles back to preserve her clay-court crown

FOR A MOMENT on Sunday it looked as if the invincibility on clay courts of Chris Evert-Lloyd (as the newly married U.S. No. 1 prefers to be called) was over during the Federation Cup matches in Madrid.

After 121 consecutive wins on the familiar slow, loose-topped surface on which her father Jimmy taught her to play in Fort Lauderdale, Florida, it seemed that Diane Fromholtz, the left-handed Australian No. 1, would become the first to beat the U.S. star since Evonne Goolagong beat her in the final of the Western Championships in Cincinnati in 1973.

The occasion was doubly dramatic, for not only was her personal record at stake but the U.S. faced the danger of losing the Federation Cup to their greatest rivals, whom they have beaten in three previous finals in Philadelphia, Eastbourne and Melbourne, and five times in all.

Australia and the U.S. were also level with seven victories each in this women's international team competition which began in London in 1963.

Although little Tracy Austin had given the U.S. a flying start with a crushing 6—3, 6—0 win over Kerry Reid, the Australian No. 2, the doubles was expected to be won by Australia through their Wimbledon champions, Mrs. Reid and Wendy Turnbull.

With Miss Fromholtz winning the opening set 6—2 there was a hint of interruption as spots of rain fell from lowering skies at the Club de Campo. It did not come until Mrs. Evert-Lloyd had fought back to win the second set 6—3 with a clever change of tactics.

### Long rallies

He slow-balling produced long rallies that strained the patience of Miss Fromholtz to breaking point. And from 2—3, which was a service break behind, the American put together four careful games that brought her level.

At 2—1 to Australia in the deciding set the rain finally came to send the players and the 4,000 spectators rushing for cover. Some 80 minutes later they were back on court to provide a fitting climax.

The score had crept to six games all when Mrs. Evert-Lloyd at last achieved a break of service. It proved decisive.

From 0-30 on her own serve she forced her way to 40-30 and on that first match point hit one of those beautifully judged, angled drop shots. It was too good for the scurrying Miss Fromholtz who was thus denied.

To see the way the world's No. 1 reacted instinctively to danger was to recognise the qualities of a true champion. Short of match play due to her marriage on April 17 to the British No. 2 John Lloyd and competing in her first tournament on clay for over a year, Mrs. Evert-Lloyd had looked rusty when she came into the U.S. team for the first time on Thursday against France.

Her four winning matches in Madrid will help her confidence as she continues in Rome this week with her first European season since 1975.

The record will be tested there and in Paris in a week or two by the full weight of leading women players who are back in Europe now that Team Tennis has disappeared from the scene.

The British effort in Madrid is best forgotten. Sue Barker's loss of the Czech world junior champion Hanna Mandlikova from a lead of one set and 4—1, and then 5—3, was a catastrophe of nervous tension.

### Wade's decline

Virginia Wade's 10—8, 6—1 loss to Regina Marsikova perhaps indicates the inevitable decline from a magnificent peak of a player who is now nearly 34.

● John McEnroe's 7—5, 4—6, 6—2, 7—6 win over Bjorn Borg (Sweden) in the WCT final at Dallas on Sunday, following his semi-final defeat of fellow American Jimmy Connors, showed that he is in powerful form. If he continues in this vein, he can win Wimbledon.

McEnroe, whose victory over Connors was his first in seven meetings, finished Borg with two service aces.

His $100,000 first prize brought his earnings for the year to $323,462, compared with Connor's $338,675 and Borg's $327,625.

Afterwards the 20-year-old McEnroe, who seems to be trying hard to improve his image said he was grateful to have caught Borg on an off-day when he was tired.

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# Looking for stability

OVER THE next few weeks and months the new Ministers at the Departments of Industry, Trade and Energy will be preoccupied with the unfinished business of the last administration. There is alo ng list of items to be dealt with, some major, some apparently trivial. How ministers respond to these problems will to a large extent set the tone of the new Government as far as its dealings with industry are concerned. The three departments are closely involved with companies in a variety of different ways—in supervising most of the state-owned corporations, including the National Enterprise Board, in handling programmes of industrial assistance and in administering competition policy. Under the Labour Government civil servants have been encouraged to see themselves as advisers, partners and supporters of industrial companies, even to the extent of playing an entrepreneurial role in export contracts and in negotiations with foreign companies considering investments in the UK.

### Disengagement

The new Ministers may regard much of this activity as irrelevant or positively harmful. But they would be wise to regard disengagement as a long-termobjective. At this stage what is needed is not a series of dramatic policy statements to show how different they are from their predecessors, but a consistent approach to the outstanding issues of the day which will gradually establish a new style and a new set of principes for the conduct of industrial policy.

The major weakness in Labour's approach to industrial policy was that it had no principles. Whether it was the financial crisis at Chrysler UK, the structure of the power plant industry or the future of the Meriden workers' co-operative, the final decision, or lack of it, seemed to depend mainly on the strength of the lobbies representing the various interests involved. Because Ministers were responsive to lobbies, more and more industrial questions, even technical ones, ended up on the agenda of the full Cabinet. The lobbying process will not disappear just because of a change of government; however inappropriate Ministers may regard some of the items in their in-trays, they have to be dealt with.

Some of these outstanding matters stem from the lack of clarity in relations between government and the nationalised industries. Although some improvement has been made under Labour, especially in pricing, firm financial targets have not been set for more than a very short time ahead. The dispute between the National Coal Board and the British Steel Corporation over coking coal imports illustrates the continuing confusion between commercial and non-commercial objectives. While changes in the structure and ownership of the state-owned industries should certainly be considered, the immediate priority is to re-establish the authority of managers to run their enterprises and to protect them from arbitrary interference.

The need for consistency is equally important in the Government's relations with the private sector. Over the past 20 years, and particularly since the Tories' Industry Act of 1972, there has been increasing reliance on selective intervention at the level of the individual industry or company, either to protect declining sectors or to promote what are thought to be the growth industries of the future. The results, by common consent, have been disappointing. Temporary support has degenerated in too many cases into open-ended subsidy. As for the growth sectors, while there have been some successes, the ability of government officials to outperform the market is at best limited.

### Realistic

After what happened in 1970-1974 the Tories are hardly likely to commit themselves never to intervene in support of an individual company. But the direction must be away from specific intervention towards general policies to encourage investment, modernisation and mobility. Again, after the experience of the Heath Government, Mrs. Thatcher and her colleagues will presumably be more realistic about the impact of changes in policy, including tax policy, on industrial performance.

What they should aim to provide is a stable framework in which the public and private sectors of industry can pursue their objectives without the risk of unpredictable interference from Whitehall. In dealing with Labour's unfinished business the new Government should seek to push industrial decisions back to those best qualified to take them. It should be modest about its own ability to promote efficiency and competitiveness by direct intervention.

# Austrian voters play it safe

A GOOD big 'un always beats a good little 'un. In a nutshell that is what happened in Austria on Sunday when the Socialist party won its fourth general election in a row and its third successive absolute majority. The party had campaigned almost exclusively on the reputation of its leader, Dr. Bruno Kreisky, Chancellor since 1970 and one of the grand old men of European politics. Last year the party adopted a programme which, by the Conservatives' standards of the German-speaking countries, was of the Left. Little was heard of it during the campaign which the Socialists conducted under the device: "Austria needs Kreisky."

The electorate agreed, though only a few months ago it seemed to be in a different mood. The Socialists did poorly in local elections last year. A referendum to commission Austria's first nuclear power station ended in a negative vote. Dr. Kreisky was quick to heed the warning and accepted the verdict. So did the opposition, thus taking the issue out of politics.

### Compromise

That may have helped to blunt a mood of criticism in the rising generation, which is not always content with the Austrian tradition of compromise and avoidance of confrontation. Many young executives questioned a system in which the most important economic questions are often settled by private understanding between the trade union leaders and the leadership of the employers organisation. But the almost complete absence of industrial disputes and the economic moderation of the union leaders have contributed to Austria's undeniable prosperity.

The recession of 1975 has been overcome. For this year economists forecast real growth of about 3 per cent. That may not be much by the standards of the past. But the important point is that since January the forecasts have been revised upwards. In other words this is a phase of growing confidence. The unemployment rate is around 2 per cent and the expected inflation rate this year is about 3½ per cent. That indicates the magnitude of the task taken on by the opposition leader, Dr. Josef Taus, a 41-year-old banker. Given obvious prosperity he had to concentrate on less visible if none the less serious problems, principally the rising budget deficit — and a large if improving external deficit.

Dr. Taus did campaign for economy — always a popular cause — but not popular enough to swing the issue. What he could not do was to espouse the wish of exporters for a devaluation of the currency. The exchange rate is as much a point of pride with Austrians as is the hardness of the Deutsche Mark with the Germans.

Moreover, given Austria's great dependence on imports a stable rate helps to keep infla- down. The trade union head, Herr Anton Benya, is among the strictest opponents of devaluation.

### Admiration

Dr. Taus and his party were thus obliged to join battle where they were weakest. It takes a lot to best Dr. Kreisky in the popularity stakes. He is known as Kaiser Bruno, an echo of the sentimental affection many Austrians still feel for their imperial past. The ironic intent with which the title was conferred has given way increasingly to admiration.

However, even in gerontocratic Austria Dr. Kreisky can hardly expect to come back in 1983 for another term. So the battle of the potential successors will become rougher.

Paradoxically the Austrian result fits in with perceptions of a certain worldwide trend towards conservative values: many non-Socialists backed Dr. Kreisky because they thought he could ensure security and consolidation. That will be worth remembering when another conservative socialist Herr Helmut Schmidt, submits his record to the German voters. In Austria, at any rate, a vote for the Socialists was a vote against, not for, change.

UNCTAD IN MANILA

BY BRIJ KHINDARIA

# The rich-poor dialogue enters a new dimension

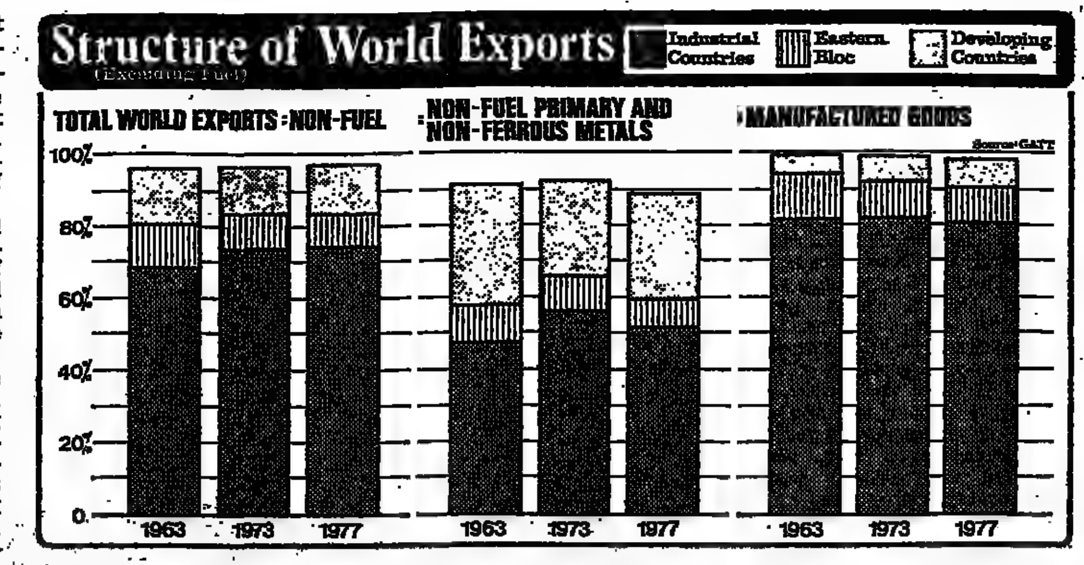
COMING at one of the worst periods in post-war economis history, the controversial United Nations Conference on Trade and Development (UNCTAD), which opened in Manila yesterday, risks producing little more than fits of nerves and frayed tempers.

The 154-nation conference will be grappling with issues extending far beyond the scope of previous such conferences aimed at solving the disputes between the rich and poor nations of the world.

Holding the centre of the stage at this fifth UNCTAD will be demands by the developing countries that sectors of industrial activity should be transferred from the rich countries to the poor ones. Developing nations see this as part of a necessary process of interdependence in the world, to increase their own rates of growth and enable them to afford the goods which industrialised nations need to export if they are to break out of the vicious circle of economic stagnation now plaguing them.

According to the UNCTAD secretariat, developing countries already buy 28 per cent of the exports of manufactures of the industrialised countries. Developing nations point out that their manufactured exports account for only 9 per cent. of the imports of manufactures by industrialised countries.

Forecasts about the likely achievements of the Manila conference are mixed. At best it could lead to a programme of action designed to bring about practical changes on economic issues of interest to north and south. But at least one senior international civil servant from a Western country fears that the negotiations could degenerate into "an orchestrated chorus, with the developing countries singing 'we want the moon'."




## Third World's unity strained

Although harsh, this second view is not without foundation at a time when in the richer nations, particularly in Europe, more unemployed workers take to the streets and entrepreneurs hold back new investment because of low profits.

In such circumstances, there is little choice left to the Third World—which is bargaining from a position of weakness—other than to complain as forcefully as possible.

Had the West been on an economic upswing, the Third World's demands might have looked reasonable. As it is, even reasonable demands appear mere fantasy.

If the economic upheavals are buffeting powerful industrial nations, they are taking an even heavier toll among developing countries, particularly among the poorest of them. These economic troubles have also produced serious strains in the unity of the Third World. This generally acts together in international negotiations as the Group of 77 (G77)—a body which now contains more than 117 countries.

The Third World is feeling increasingly isolated from the mainstream of policy-making on world trade and monetary issues. It considers the process of decision taking to be dominated by the Western Nations and Japan. Developing countries point to the rising number of summit and other meetings in recent years among industrialised nations' leaders, the results of which often are placed before the poorer countries on a take-it-or-leave-it basis.

The Third World is also disillusioned with the Soviet Union and its Eastern European friends, who seem to have lost the early ardour of their courtship of newly-independent developing countries.

The accusations against the East are that it is ruthless in the pursuit of its own economic and trade goals, while paying lip-service to the poor countries' needs. Many developing countries argue that, plagued by the rising expectations of their long-subdued populations, the Communist countries are more interested in obtaining loans and and cheap technology from the West.

The expectant eyes of Third World nations turned to the newly-rich Arabs after the 1973 oil price increases. But the Arabs only too soon became the butt of complaints that, in particular, they still see aid as charity rather than as a sensible way to improve prospects for their own economies by boosting world economic growth.

The traditionally rich Western nations are seen by the Third World as being more progressive in their views on aid and more trade, but as having their hands tied by financial and social problems at home.

Reflecting their understanding of the West's problems, the Third World nations resolved to aim for "collective self-reliance" at a major conference in Arusha, Tanzania, in February this year.

They likened themselves to a trade union of the poor which must fight against the richer nations for its rights while working assiduously to increase its own bargaining strength.

The Arusha declaration papered over a series of serious cracks in the unity of the Group of 77, and produced compromise language which left several of the more advanced developing countries like Argentina, Brazil and South Korea unhappy at the decisions reached. These countries think that the Arusha decisions ask them to support extremist demands: the poorest countries say the more advanced behaved as arrogantly as the rich nations do in North-South negotiations.

The group of industrialised countries, which is known as Group B in Unctad negotiations, is also not within cracks of its own. The Scandinavians and the Benelux countries tend to be more sympathetic to poor nation demands than Britain and, in particular, West Germany and France. The U.S. is frankly tough, the developing countries consider.

At the last UNCTAD conference in Nairobi in 1976, north and south were sharply divided over demands by developing countries for the creation of a new International Economic Order that would result in a shift of wealth towards the poorest nations. Spurred by the success of OPEC in securing a three-fold rise in oil prices in 1973-74; developing nations sought to improve their export earnings through an integrated programme of stabilising the markets of their main raw material exports. The main practical outcome of the conference has been the decision —reached only earlier this year —to set up a Common Fund as a new institution with a role of stabilising the prices of selected commodities through buffer stock operations. The scope of the Fund—which includes a further fund, a "second window," to provide aid for poorer nations—is a disappointment to most of the developing countries even if it has also been accepted only reluctantly by the West. The decision to set up the fund, though the details have still to be worked out, removes what might have been a main source of controversy at the conference. Both industrialised and developing nations are expected at Manila to make financial pledges to the new institution.

Among other major topics to be raised at Manila are:

Trade. Developing nations are bitter at the growth of protectionism. They showed their indignation by refusing to sign the new GATT accord which Western nations insisted should include a "selective safeguard clause." This would allow industrialised nations to impose controls to restrict imports from particular countries. The EEC wanted to have the right to impose controls unilaterally and without prior consultation —a measure that newly industrialised nations such as Brazil and South Korea saw as being directed against themselves. The strength with which developing nations voice their hostility to the growth of protectionism is likely to be a key factor in setting the tone of the conference.

In recognition that industrialised nations are willing to take a greater proportion of manufactured goods from developing nations, a major focus in the discussion on trade will be how industrialised nations can adjust to a larger volume of low-cost imports. Developing nations would like Western governments to provide financial assistance to help speed up the phasing-out of older industries in the West. This is hard for Western governments to accept, particularly at a time of prolonged slow-down.

Meanwhile the West's calls for reciprocity—that as a developing country becomes more successful in certain sectors in international markets it should be willing to accept lesser concessions—are generally considered anathema by the developing countries.

One result of the Arusha meeting is that the group of 77 will be pressing strongly for greater inter-regional trade among developing nations. This has the support of the west, which might consider financial backing for supporting the necessary institutions.

Debt. Some progress has been made on what was one of the most controversial issues at UNCTAD IV by the decision of a number of Western countries led by Britain to write off the outstanding official debt of the poorest of the developing nations. This was done on the basis that aid to these countries is now provided as a grant and that it made no sense to continue to demand interest payments on past loans made to them.

The measure does not, however, touch the growing volume of commercial debt that developing countries have accumulated since the oil crisis. The G77 have now in effect dropped their former demands for an international conference on debt. The richer developing nations prefer to negotiate on debt individually.

Finance. In 1971, the U.N. established a general target that developed countries should allocate 0.7 per cent of their GNP to official development aid (ODA). Little progress has been made in achieving that target. In 1977 ODA slipped back to an average 0.3 per cent of the GNP of the industrialised countries, with Japan, the U.S. and West Germany showing particularly low ratios. While the volume of aid causes disappointment in the developing world, some of the more advanced developing countries also resent the increasing emphasis in the West that the aid they give should be channelled only to the poorest nations.

## Export credits guarantee plan

However, the whole question of aid is liable to be less forcefully debated than the developing countries' demands for an examination of present arrangements for financing international transactions and of the appropriateness of the conditionality clauses of the International Monetary Fund.

A proposal has been made to establish an Export Credit Guarantee Facility for the developing world similar to those of the national bodies in the West. The G77 are also considering an international commission on debt. Improving the existing financial arrangements in the world is an area where the G77 can hope for productive negotiations with the West. But the West is far more sympathetic to suggestions about extending the range of facilities than to calls such as those made this year at Arusha for a "genuine and fundamental reform of the international monetary system."

Institutions. The whole question of the effectiveness of the existing institutions of the world economic order is likely to be hotly debated at Manila. This is an area where the resistance to change is strong. Whatever is achieved in this field, one innovation being considered is the establishment of an independent Third World Secretariat by the developing countries.

Other issues on the agenda include discussions on restrictive business practices in international trade, improving the conditions governing the transfer of technology to the developing world, and ensuring that the shipping of developing countries carries a larger proportion of cargoes to and from their shores.

This package of subjects is probably the most complex ever tackled by an UNCTAD. Individual countries are already announcing some changes in their policies but the economic difficulties and domestic pressures facing industrialised countries at this time are such that they are reluctant to saddle themselves with major commitments. Several of the key pledges made by the industrialised world at Nairobi in 1976 have yet to be realised and in the run-up to the Manila meeting it has been noteworthy that few concrete initiatives have emerged from the industrialised countries.

In the 70s—this second "development decade"—growth in the developing countries has fallen far short of the targets set, their debts have grown markedly and their terms of trade have worsened. The non-oil producing developing countries have been caught between the hammer of rising oil prices and the anvil of higher machinery costs. Some 63 per cent of their exports are of raw materials and commodities, the prices of which are not only falling in real terms but are being held down by powerful western consumers who need to keep production costs down while raising their own workers' living standards.

As for their exports of manufactured products, protectionism has hit exactly those industries in which the developing countries have specialised in order to start their own process of industrialisation.

Western efforts, particularly those by the Common Market, to reduce imports of textiles, clothing, shoes and leather goods are seen not merely as unfair but ill-conceived. Various studies cited by the UNCTAD Secretariat find that the removal of trade barriers against imports from poorer nations would cause far less loss of manufacturing employment than is already occurring because of technological change linked to increases in productivity. The share of developing countries in world manufacturing output has been stagnant at around 8 per cent. As the UNCTAD Secretariat prepares for the third development decade it is proposing that a target of an annual 7.5 per cent growth in the volume of exports of developing countries should be set. At present, the developing countries account for 75 per cent of the world's population but earn only about 20 per cent of its income.

But however much Manila proves to be a talking shop, the serious way in which all governments have prepared for it is an indication of the degree to which both north and south have to accept that a dialogue between them is now an essential part of the world economic order.

# MEN AND MATTERS

## The £300m policy no-one loves

A pamphlet *Your Move?* full of glossy pictures of leafy Glasgow and sylvan Sheffield was recently circulated round the Civil Service. It describes the delights of provincial Britain. Ending with the parting shot "Bon Voyage!" it is designed to persuade the extremely reluctant Civil Service unions just what fun "dispersal" from London can be.

A policy which has caused howls of anguish in Whitehall, the programme—announced in 1974—provides for 30,000 Civil Service jobs above the level of Executive Officer to be moved to the regions, in particular to Glasgow. By the end of last year something like 4,500 jobs had been dispersed, including the human adjuncts of the VAT computer, which was exiled to Southend. The real dispersal putsch was to be towards the end of the programme, around 1984.

Even with a deadline that far away, cartographers in the Directorate of Overseas Surveys recently painted a picture of such anguish caused by their proposed move to Glasgow that little short of mass suicide seemed imminent.

The Civil Service Department is coy how many officials are permanently involved in administering the programme "Several dozen," a spokesman told me. There is also some doubt about how much it is all costing. A year ago Lord Peart described as "a gross exaggeration" a suggestion that it would cost £1,000m, and put the figure at more like £300m, or about £10,000 per dispersed job. He claimed that there would then be continuous savings of £50m a year.

Even if these figures are correct, dispersal is seen by some as at best a cosmetic exercise, that could well be one of the first casualties of the Thatcher promise to cut public spending.


"How do you think she's been doing so far?"

It would also calm official nerves to disperse the policy into a disused filing cabinet. But rumours of a Tory job for the soi-disant Disobedient Servant and anti-waste campaigner Leslie Chapman are not going down so well, I hear.

## Year of the lords

The array of peers plucked from relative obscurity to join the new government will dismay some of the rising stars in the Commons. It came as something of a shock—though a pleasant one—to Lord Trenchard, 66, who has been made a minister in the Department of Industry. "I have been spending a bit of time in politics over the last two years, so it was not a total surprise," he says modestly.

A management trainee with Unilever after the war, Trenchard eventually became a director of both the British and Dutch companies. "In March 1977 I thought I either had to go on and make the all-time record for the longest-serving Unilever director, or go into politics. I wouldn't say I was interested in politics, but I had an alarmed interest in the industrial decline of this country."

Fond of pointing to the German example of double our productivity, trade unions with a strong interest in profits, and high wages, Trenchard has for two years been spreading the word that Britain too could be rich if the trade unions could be reformed—a process he hopes will be started by them.

At the other end of the age scale the artistic, Lord Gowrie, 39, becomes a minister of employment. He too admits he was "surprise." A government whip under Heath who has worked in the department before, Gowrie was incensed at yesterday's remarks by Labour MP Bob Cryer. Cryer declared that Lord Carrington—and by implication other peers in the government—should be forced to resign their peerages and fight an election.

The law, says Gowrie, does not permit this except in certain circumstances. He himself would have had to give up his peerage within six months of inheriting the title at 15 "when I hadn't the faintest interest in politics. Formerly a lecturer at London University in American History and Literature, Gowrie — a resident of fashionable Covent Garden—is now a consultant to an art firm in Bond Street. Reckoned to be one of the livelier characters in the House of Lords, he is also one of its few published poets. "I still write sometimes, but not on politics," he says. "Politics should be dull and sensible."

## Leaving the perch

Even if Mrs. Thatcher were minded to leave him where he is, I am told Peter Jay intends to end his two-year interlude as British ambassador to Washington. He has let it be known that if his father-in-law Jim Callaghan had been returned to power, he would still have gone.

The long separation from the typewriter is evidently beginning to tell: Jay is keen to write a book on the state of the world economy and has also been approached to compile an Ambassador's Diary.

Altogether, Times or no Times (his previous workplace) Jay should be kept quite busy. Given a decent interval, he may even be invited to head the Think Tank—as was pointed out at the time of his despatch to Washington, no great gulf separates the thoughts of Peter Jay from those of Mrs. T and her economic advisers.

Jay's job in Washington aroused a god deal of hostility among career diplomats, and it seems probable that Foreign Office sensibilities will now be appeased by a non-political appointment. Despite his support for the Shah, the former ambassador to Tehran, Sir Anthony Parsons, has emerged from the debacle relatively unscathed and is mentioned as a likely successor. Another suggestion is Sir John Thomson, 52-year-old High Commissiner to India, who has now served a three-year stint in New Delhi.

But in certain quarters it is fervently hoped that, despite protestations to the contrary, Edward Heath might be persuaded to spend a few years on the other side of the Atlantic.

## Eating for two

White Rhodesians, who so pride themselves on their Englishness, were all the same somewhat taken aback by a name on the list of Tory peers visiting Salisbury as observers during the recent elections. At the Monomotapa Hotel the Earl of Oxford and Asquith was apparently served with two breakfasts every morning.

**Observer**

FINANCIAL TIMES SURVEY

Tuesday May 8 1979

# Finance and Investment in the U.S.

The traditional flair of America, the ability of its citizens and its institutions to cope with such current worldwide problems as inflation, energy costs and unemployment is well demonstrated by its financial community. As this survey shows, the money machine has been kept running relatively smoothly.

## Standing up well to the test

**By Stewart Fleming and John Wyles**

NEARLY TWO and a half years after the inauguration of President Jimmy Carter, the U.S. has made little progress towards solving the major political and economic problems which beset his two predecessors and which had set the agenda for his own Administration.

Mr. Carter can justly point with satisfaction to the reduction in unemployment from 7.5 per cent to 5.7 per cent and to economic growth which has averaged over 4 per cent a year in real terms since he entered the White House. But these achievements have been overshadowed by the resurgence of double figure inflation as the most intractable problem the country faces.

While the adoption of pay and price guidelines last October indicated that the Administration thought that wage increases were at least part of the inflationary problem, there has been very little determined follow-through in the application of the guidelines and even less an attempt to educate the American people in the need to accept a reduction in living standards as a means of getting a rapid grip on the problem. Instead, the President appears to many to be hoping that there can be a steady and relatively painless unwinding of the inflationary problem through a deceleration in economic growth and greater fiscal conservatism.

Mr. Carter has shown a greater readiness for a root-and-branch attack on the energy front but progress has been slow and painful because of the reluctance of Congress to impose the cost of a more realistic policy, namely higher energy prices, on the American people.

The protracted battle over energy policies highlights some of the complicated political forces which have emerged in the U.S. in the late 1970s.

### Shifted

It is now widely acknowledged that the years of combat between the executive and the legislature, first over Vietnam and then over Watergate, have shifted the balance of authority away from the Presidency. But there has been no compensating coherence of political leadership from Congress, nearly half of whose members have served less than five years and all of whom are subject to fewer of the disciplines that were once imposed by powerful committee chairmen and Congressional leaders such as Wilbur B. Mills or Lyndon Johnson.

This has tended to strengthen concern among political scientists that Congress is excessively vulnerable to well organised and financed pressure groups. In the past year or so the efforts of these groups have often achieved somewhat contradictory successes. Most business organisations, for example, are devout believers in moves to balance the Federal budget. But sugar producers on the one hand secured higher Federal subsidies while the business Round Table successfully lobbied for cuts in Federal spending and tax cuts for corporations.

But the business lobby has been mining and developing a rich seam of popular discontent. A revolt in California against property taxes which had been artificially inflated by rising property values has been moulded into a national campaign against "Big Government."

The liberal wing of the Democratic Party is on the defensive and Government bureaucracy, after three decades of steady growth of its regulatory tentacles, is being forced to justify powers of control which it had begun to take for granted.

But the capacity of the President to react to a crisis and to frame policies, however belatedly, which do not require Congressional co-operation was amply demonstrated last autumn by the rapid assembly of a package to defend the dollar.

While there are still doubts about the durability of the dollar's recovery since November 1 last, the fact of decisive action, coupled with the somewhat greater financial problems which subsequent oil price increases look likely to raise for other leading industrial countries, have bought the Administration rather more time than it might have expected.

*Mr. G. William Miller (right), chairman of the U.S. Federal Reserve Board, talks with Sr. Gustavo Romero Kolbeck (left), Director-General of the Bank of Mexico, and Sr. David Ibarra, Mexico's Secretary of Finance, at the 1978 Board of Governors meeting of the International Monetary Fund and World Bank*

When the package was unveiled to the surprise and delight of the foreign exchange and domestic securities markets, the one point rise in the discount rate to 9½ per cent and the imposition of heavier reserve requirements on U.S. banks appeared to imply that Mr. Carter was prepared to risk a recession in the battle to save the dollar from further devaluation.

It was also thought that tighter interest rates would make a real contribution to curbing inflation, which was in any case being exacerbated by the sinking dollar. This hope has proved forlorn. Indeed the economy is more firmly gripped by inflation and the American people by an inflationary psychology than was generally realised at that time.

While the significance of inflation as a political concern cannot be underestimated, America has made a considerable adjustment to the problem of living with steadily rising prices. So successful has this effort been that inflation has by no means brought the economy to a halt. Although real growth in the first quarter of 1979 was a meagre 0.7 per cent it was sufficient to ensure that the economic upswing from the 1974/75 recession will some time this month be the longest period of sustained growth in the U.S. since World War II.

One of the most important features of the economy's ability to accommodate inflation has been the way in which financial institutions have evolved new mechanisms for funding their liabilities so that nominally high interest rates have not in fact choked off credit for borrowers. The latter, meanwhile, have been ready and willing to shoulder a much greater burden of debt than ever before, particularly for the purchase of housing and consumer durables.

Housing has emerged as the most popular hedge against inflation and source of finance through the realisation of capital gains, while the purchase of consumer goods has been stimulated by easy credit and an awareness that it may be cheaper to buy today than tomorrow. Significantly, and in contrast to Britain's experience, personal savings have tended to decline as a proportion of Gross National Product (GNP) as inflation has accelerated. Americans will not readily surrender their standard of living, particularly when employment is running at record levels.

### Doldrums

All of this has been very disturbing to the financial markets. Equities are still in the doldrums, despite booming corporate profits and the dollar's new-found strength. Bond prices still reflect the hope that the inflation rate will be significantly reduced over the next six to nine months and yields, the Treasury sector apart, have not yet generally reached the peaks established in 1974 when inflation was running at pretty much the same pace as it is now.

Both markets mirror the general uncertainty about the immediate outlook for the U.S. economy. Clearly there has been a marked slowdown since the fourth quarter of 1978 when real GNP advanced by 6.7 per cent. But the recession which some economists expected to materialise in the first quarter of this year is still, if anywhere, waiting in the wings.

With the protracted Presidential election period beginning in New Hampshire in ten months' time the Administration, or at least the White House, is clinging to its belief that the economy will slow down but not go into a recession and that the 1979 growth rate will be between 2 and 2.5 per cent.

There are, however, important divisions of opinion among President Carter's colleagues, and in the past few weeks the country has been treated to the extraordinary spectacle of the Treasury urging a tougher anti-inflationary posture on the Federal Reserve Board. The political calculation here seems to be that there is still time to engineer a mild recession that will slow inflation rather than risk a more severe slowdown next year just as the Presidential election race is getting under way.

On present evidence it seems that Mr. Carter is hoping to be able to campaign as the President who put America back to work, who is starting to wring inflation out of the system and who restored economic responsibility in the nation's affairs by moving towards a balanced federal budget. But no large industrial democracy has yet managed to defeat inflation without adding to the jobless and the President may yet find that lower inflation and stable employment are two horses which cannot be ridden together.

# FINANCE IN THE U.S. II

## THE ECONOMY IN BRIEF

INEVITABLY, MOST popular discussion on the U.S. economy focuses on the immediate outlook for inflation, employment and real growth. The real gains of four years of sustained economic expansion have become increasinlgy overcast by anxieties about inflation and by the fact that economic advance has not diminished some of the apparently more deep-seated problems which have been afflicting the country for several years.

The economic growth of the last four years has largely been promoted by the American consumer and the fact that business has provided so much less of the motive power through capital investment has raised doubts that the productive machinery is being put in place to ensure future growth.

Declining rates of productivity growth are cited as the most visible evidence of a developing structural weakness. But research and development expenditures as a proportion of Gross National Product have been falling and in the process sparking questions about America's powers of technological development.

But closer analysis does not satisfactorily answer the question as to whether these problem areas merely reflect the experiences of the last two business cycles or whether they have deeper roots. The 1974-75 recession did tremendous damage to many a corporate balance sheet and may indeed be responsible for a more cautious commitment to capital spending and research and development. The economic recovery, however, is now four years old and those analysts who argue that the problems are more severe than generally realised claim that enough time has passed for a regeneration of confidence.

Much of the blame for the modest levels of capital and R and D expenditure must be laid at the door of inflation. Here again, however, understanding of the impact on business behaviour of inflation is imperfect. Business says that more tax allowances are needed to stimulate investment. But in essence these would be an accommodation to inflationary pressures from a society which has already gone further than it perhaps should have in tolerating rising prices.

S.F.

## ENERGY

# The biggest challenge

ENERGY RANKS equal first with inflation in the list of President Carter's immediate economic problems. But in the longer term it could emerge as the biggest single challenge facing the U.S.

To his credit, Mr. Carter has "bitten the bullet" on oil deregulation by using his authority to free prices from Federal controls by 1981. But this is about the only area of energy policy that it at all clear at the moment. Elsewhere the picture is a jumble of conflicting interests, with little or no solution in sight.

The energy problem itself is simple enough. Because fuels were abundant in the past, and remain cheap today, America consumes much more energy than it produces (in the case of oil nearly twice as much). On paper, the answer is equally simple. The U.S. has enormous energy resources of all kinds—oil, gas, uranium, timber, hydro-electricity, even wind and solar, all of which could be developed to serve the economy.

However, as last year's heated debate over Mr. Carter's ill-fated Energy Bill showed, few things arouse public sentiment like energy. In no time a swarm of lobbyists had descended on Capitol Hill, arguing for different fuels, for the interests of energy producing/consuming States, or for the environment, for tax changes, incentives and "..."

As a result the Energy Bill emerged from Congress in mutilated form, containing mainly provisions for deregulating natural gas (at the cost, ironically, of vastly increasing the number of rules and regulations), encouraging use of coal in power stations, and stimulating some conservation.

As it turned out, Mr. Carter might have done better to introduce his Energy Bill this year, when Americas' energy-consciousness had been given a sharp jolt by the Iranian oil cut-off and the price rises and petrol shortages that followed. Unfortunately, any chance the Administration might have had of pushing through new energy measures at this point were swiftly destroyed by the nuclear accident at Three Mile Island, an event which must be deemed to have set back the cause of nuclear power by several years, and to have imbued the environmentalist lobby with new strength.

Mr. Carter himself said shortly after the accident that the U.S. could not afford to abandon the nuclear option, an affirmation that sounded courageous in the face of an ugly public mood. For the second time in his Presidency he put forward an energy plan, pressing the need for action.

The deregulation of oil prices which begins on June 1 should solve some problems by providing the oil and gas companies with fresh incentives to explore and produce, though even that measure has sparked a heated debate over the proposed windfall profits tax on the oil companies. However, even if new oil and gas is found, the U.S. can hope for little more than to check its growing dependence on imports. A return to self-sufficiency is out of the question, so the emphasis shifts to alternative sources of energy.

Natural gas, which exists in large quantities, will provide an intermediate solution. Coal offers long-term prospects, but it depends to a large extent on how severely environmental regulations are enforced. A special Presidential study group is now examining this question. Part of the windfall profits tax will also be earmarked for development of exotic energy sources, like oil shale, gasohol and solar power.

In his energy policy statement on April 5, Mr. Carter appealed to the public to conserve more (an appeal since reinforced by growing petrol shortages), and said he planned to stimulate energy-conserving technology. However, the success of his programme will depend to a large extent on how successfully he conveys the urgency of the situation to a public which is confused and sceptical of talk about energy crises. The divisive debates of the past do not auger well.

**David Lascelles**

## CAPITAL FORMATION

# Inflation the bugbear

"BUT ON the crucial issue of capital formation, unfortunately, very little has changed except that we have squandered three and a-half years, billions of dollars and countless opportunities for the productive investment of additional billions of real wealth."

Americans have become accustomed to this sort of rhetoric from business leaders like Mr. Willard C. Butcher, president of Chase Manhattan Bank. Federal Reserve Board chairman Mr. G. William Miller has also been expressing concern about the level of capital investment in the U.S. economy.

The burden of many of the speeches being made on this topic is that the U.S. is facing the prospect of slower economic growth, continued sluggish gains in productivity, higher levels of inflation of the kind that was common in the two decades following World War II, and a myriad of other economic woes unless adverse trends in capital spending are reversed.

A common comparison is to cite the high levels of capital investment in other advanced industrial countries with that in the U.S.

Former Treasury Secretary Mr. William E. Simon recently contrasted the 28.8 per cent of Gross National Product (GNP) which Japan spent annually on plant and equipment between 1960-75 and the 14.8 per cent spent by the U.S. Some speakers go on to point out that the U.S ratio puts it last among advanced industrial nations behind Britain—a comment which no doubt provokes in the minds of sympathetic audiences visions of long-term economic decline for the U.S. unless prompt action is taken.

The rhetoric, however, is far from totally convincing. The U.S. has long demonstrated an ability to make better use of the plant and equipment it does install than, for example, Britain. There is some evidence—in the productivity figures—that this may be changing, but the evidence is far from conclusive.

### Overstating

What is not in doubt is that many of the proponents of the thesis that sluggish capital investment poses a long-term threat to the U.S. economy are embracing the arguments out of political self-interest, and may well be overstating them.

Their views are generally linked to pleas for tax reliefs for business and investors such as higher depreciation allowances, lower corporation taxes, elimination of double taxation of dividends, relaxation of environmental controls and cuts in Government deficit spending.

They rarely go on to debate the implications of squeezing the public sector—how, for example, such policies might affect standards of education and thus the supply of skilled labour.

Moreover, it is far from clear that a long-term trend towards lower capital investment by corporations is taking place. It could be a cyclical reaction to the 1973-74 boom.

What can be said with some confidence is that in the four years of the current economic upswing in the U.S. capital spending defined as non-residential gross private domestic, fixed investment has been less buoyant than in, say, the late 1960s and early 1970s. In the recession of 1974-75 capital investment as a proportion of GNP measured in 1972 dollars slumped to around 9.4 per cent. At its peak in 1974 it had been 10.7 per cent, having averaged around 10.3 per cent between 1968 and 1970. Last year the steady but not buoyant recovery in capital spending took the ratio back to 10.1 per cent.

The current year too looks like seeing a further rise. The Commerce Department is predicting plant and equipment expenditures will rise 11.3 per cent; construction expenditure is expected to be strong as well. Just how much increased capital these forecasts imply depends on what the inflation rate for capital equipment is and the extent to which business trim back in the face of this inflation and a possible recession. Already, however, cuts seem more likely to affect 1980 than 1979.

There are considerable variations too within industries. The motor and aerospace industries have major expenditures under-way in connection with new models. The paper industry is entering a sharp cyclical upswing in expenditure.

But some economists point out that while there has been steady growth in capital spending during the cycle much of it may not have been to increase capacity. Environmental regulations have required capital commitments not all of which contribute to productivity. Rising energy costs have caused companies to invest in energy-saving equipment. It is argued that the vast amounts of cash which corporations have poured into mergers and takeovers have diverted resources from the expansion of industrial capacity.

Beyond the question of how much additional capacity has been added, however, lies the debate which is central to the political issues being raised. Why has capital spending been sluggish in the current cycle? Is this a short-term or long-term trend?

Some economists argue that one explanation may simply be that in view of the depth of the last recession and the need to rebuild balance sheets and avoid a repetition of the crises of 1974-75, businessmen are simply being cautious. Consumers, in contrast, have been pushing the boat out—buying new houses, new cars, and incurring new debt. Paradoxically, it can be argued that inflation helps to account for the reactions of both the businessmen and the consumer. If this is true for business it is hard to imagine that tax incentives will contribute much to stimulating investment. Curbing inflation is much more important.

S.F.

## RESEARCH AND DEVELOPMENT

# Diverging trends

HOWEVER DIFFICULT it may be for Americans to live with inflation, it is harder still for them to accept that their country may be losing its technological lead over the rest of the world. Yet that is what industrial and political leaders maintain is happening, not just in one or two fields but over a broad range of endeavour.

Quite how bad the situation has become is still hard to say. The figures for research and development and patents are open to different interpretations; conspicuous successes like the Voyager spacecraft's recent pictures of Jupiter tend to overshadow declines in other areas like motor cars.

But the picture should become clearer very shortly when the Administration publishes the results of a 14-month survey of the problem ordered at the beginning of last year by President Carter.

At the time Mr. Carter summed up the problem this way: "In recent years private sector research and development has concentrated on low-risk, short-term projects directed at improving existing products. Emphasis on the longer term research that could lead to new products and processes has decreased."

The study is being conducted by the Commerce Department, but it encompasses no fewer than 28 Government agencies, making it one of the largest Government inquiries ever conducted. The Commerce Department expects to have it finished by the third week in May, after which it will be presented to the White House with recommendations for action.

Mr. Carter's distinction between short- and long-term research helps clear up some of the confusion over R and D.

On the face of it spending on new technology is growing by leaps and bounds. According to the National Science Foundation, expenditures this year are expected to reach $51.6bn, an increase of 9 per cent over last year. And though spending in real terms took a dip in the mid-70s after the Apollo space programme had peaked, it has risen in terms of constant dollars for the past four years. This happened despite a shrinkage in the proportion contributed by the Federal Government from 56 per cent in 1972 to 51 per cent this year.

Certainly the man in the street notices little amiss. Each year he is bombarded with a bewildering array of new gadgets or new twists to old ones which suggest that inventive minds are hard at work.

But behind this facade, it is argued, things are far from healthy. Industry is doing less fundamental research, coming up with fewer major breakthroughs and inventions than before, and investing less in research for long-term goals. Symptoms of this weakening are seen in foreign success in many fields pioneered by the U.S. — electronics, metallurgy, medicine, even aviation, where the European Airbus is seen as a major challenge to giants like Boeing.

In reality America's problems with technology are probably exaggerated by the current mood of demoralisation afflicting much of the country. Nevertheless the debate has served to highlight many of the difficultaies now confronting industrial innovators.

Lacking the spur of big programmes like space research, industry has had to chart its own course more carefully. But the mushroom growth of Government regulation has made it both more costly and more risky to come up with major new products. Who will spend millions of dollars, the argument goes, to develop something which a Government agency will ban as harmful to humans or the environment? Who will spend ten years researching a technology that may become obsolete or inapplicable in today's rapidly changing and uncertain economic environment? And given these constraints, who is prepared to put up the risk capital for new ventures?

Again, many of these problems may have been exaggerated by industrial leaders keen for evidence of the economic damage caused by Government regulation. Yet the implications of a technological lag would be serious.

The problems with imports in areas like steel and cars would spread to new products, aggravating the foreign trade picture and increasing the protectionist mood. Domestically, technological improvements are needed to recover earlier productvity growth levels and restore national self-esteem.

However, the problems appear to have been recognised by the Administration. With the results of the study still to come, Mr. Carter has asked Congress to approve $4.3bn to stimulate fundamental research next year and the Pentagon's R and D budget is being pushed up. The hope in industry now is that the R and D study will lead to a review of Government regulation to create a climate more conducive to innovation.

D.L.

INFLATION

# No easy solution

A RECENT study by the Conference Board, a New York business research organisation, concluded that the average U.S. family must earn almost double its 1979 pre-tax income to maintain the same standard of living that it had in 1970.

Specifically the Conference Board calculated that a family of four earning $13,200 in 1970 now requires over $25,000 to equal its 1970 purchasing power, partly because the amount of social security taxes it pays have increased four-fold, while the shift into higher tax brackets will have doubled the income tax burden.

But the bulk of the erosion of earning power has resulted from rising prices. Inflation has averaged 6 per cent since 1967 in the U.S., and in the first quarter of this year consumer prices were again increasing at the same 13 per cent annual rate as they did at the peak of the 1974 inflation.

In spite of sustained inflation it is only in the past year or so that the average American has again been registering in the polls his belief that getting inflation under control ought to be the Carter Administration's top priority. For it is only recently that Americans have begun to feel their standard of living seriously threatened by rising prices.

Hitherto four years of sustained economic growth has resulted in a record number of Americans in employment as a proportion of the total population. People on fixed incomes, such as pensioners or those in traditionally low paid jobs, have been falling behind in real terms as inflation accelerates. But the Conference Board study suggests that the family in the median income range for 1979 of around $18,800 has just kept pace with inflation and taxes, with real income rising by under 1 per cent a year since 1970.

This feat has been achieved partly through wage increases but also by the sharp increase in the number of workers. In the past four years the number of women working has been increasing at twice the rate of male employment, and the number of families with two wage earners has increased from 44 per cent of households to over 53 per cent.

An illusion of property has spread, too, as a result of the increased borrowing power which financial institutions have been permitting. More and more car loans are being offered with five year repayment terms instead of the traditional three year period, while soaring house prices have allowed many American families to enjoy an increase in the value of their assets.

In addition they have increasingly been able to borrow against the value of their home.

Like the voters, the politicians were slow to readjust priorities. President Carter gave unemployment a high priority in his election campaign, and until 1978 his administration underestimated the inflationary threat. Early efforts to contain rising prices through jaw-boning or trying to persuade industry and the unions to curb their pricing and wage decisions were half hearted. By October of last year the President had moved more firmly towards establishing inflation as the top priority through the introduction of a formal but still "voluntary" price and wage controls policy and the beginnings of an effort to curb the Government budget deficit.

But Wall Street's economists continued to complain loudly that too relaxed a monetary policy by the Federal Reserve under both Dr Arthur Burns and his successor as Chairman, Mr. G. William Miller, was stoking the inflationary fire. A more restrictive monetary policy, it seemed, was adopted as part of the dollar defence package. In terms of the international financial relations of the U.S., that package was a watershed, but again it seems the economic policymakers have overestimated the impact of high nominal interest rates on the economy.

There are growing doubts about the degree of monetary restraint implicit in the high nominal interest rates engineered in part by the dollar defence package. The voluntary wage and price policy is proving as frail a defence as its critics predicted and fiscal restraint is being postponed until fiscal year 1980 at the earliest. Thus the burden of economic management is again falling on the Federal Reserve and monetary policy. Such are the economic uncertainties, however, that the policymakers are divided about what response is needed.

**S.F.**

PRODUCTIVITY

# A steady decline

THE U.S. productivity problem is much easier to describe than explain. In absolute terms, it is becoming worse which means that gains in output per man hour are yearly becoming more difficult to achieve.

Between 1947 and 1967, annual advances of 3.5 per cent were the norm. Between 1967 and 1978, progress had slipped to a slender 1.5 per cent a year while 1973 itself was derisory and recorded a mere 0.4 per cent gain.

The slide has continued into the first quarter of this year when productivity in the private business sector plunged at a seasonally adjusted annual rate of 4.5 per cent in comparison with last year's fourth quarter.

Combined with an 11.1 per cent increase in hourly compensation, the net effect of this deteriorating was to add a hefty 16.3 per cent annual rate of increase to unit costs. Clearly, this is anything but a contribution towards lowering the U.S. inflation rate. Yet, while reinforcing a secular trend, the first quarter was more likely to have been a cyclical phenomenon.

In other words, U.S. industry is operating close to capacity and has been adding labour in an attempt to meet demand while at the same time weakening its efficiency. Of greater concern than one quarter's figures is the long-term decline in productivity growth which President Carter warned, in January, had reached "serious proportions."

There are any number of solutions being propounded for the problem which is, however, inadequately understood and much more serious in some sectors of the economy than others.

Thus, manufacturing productivity has, until the last year or so, stood up rather well, showing a 2.3 per cent rate of gain between 1967 and 1978 compared with 2.8 per cent in the previous 20 years.

Last year, manufacturing productivity turned in a 2.4 per cent gain compared with 4.9 per cent in 1975 and 4.3 per cent in 1976 when the economy was recovering from the 1974-75 recession. Clearly, then, business cycles have some impact on productivity performance but a number of other factors are also cited by students of the problem.

Thus, it is noticed that productivity tends to rise more rapidly in those industries where sales are increasing at an above-average pace. Increasing output brings with it economies of scale and greater opportunities for innovation through additions to capacity.

Research and development spending also is seen to bring a productivity pay off and the diminishing rate of improvement in the U.S. may not be unconnected with a reduction in R and D spending from 3 per cent of gross national product in the early 1960s to around 2.2 per cent last year.

But some industries have the cards stacked against them. It has been found, for example, that those sectors most exposed to business cycles (construction is one), find it difficult to make long-term improvements in output.

Another factor frequently cited is the degree of union membership within an industry, since it is suggested that union work rules frequently retard productivity gains.

More plausible an explanation involves the sluggish growth of capital spending in the U.S.—less than 50 per cent over the last five years and thus barely keeping up with inflation. A significant proportion of this spending, moreover, has to be allocated to equipment mandated by environmental and safety regulations which many businesses claim are imposing too great a burden.

Also cited in explanation are the significant changes in the U.S. labour force during the 1970s with a rapid growth of employment of women and blacks, particularly in the service industries where the comparatively low degree of mechanisation tends to make productivity improvements hard to achieve in any case.

**J.W.**

# Banks thrust into ferment of change

AFTER FOUR years of rising prosperity Americans were wallowing in debt by the end of last year as their bankers rejoiced in the biggest profits increase in modern history. Depending on the calculations used, profits of the top 100 U.S. banks increased by between 25 and 30 per cent.

But the nation's bankers do not seem to have shaken off their characteristic anxiety about what the future has in store — nor should they. Their worst fears are that the mountain of debt which has been piled up could be transformed by a serious recession into a landslide of defaults on outstanding loans.

But loan losses aside, there are plenty of other problems looming on the horizon. For one thing inflation has so swollen the liability side of balance-sheets that the banks have found their capital ratios thinning once again. With no stock market to turn to—dozens of major banks are still selling close to or below book value which makes an equity share issue about as attractive as a mid-summer hurricane—banks are having to turn to imaginative Wall Street financiers. The past few weeks, for example, have seen a flurry of floating rate bond issues which while not exactly capital in an equity sense can, as long-term debt, be counted as such in assessing lending ratios.

The damage which inflation can do to a financial institution such as a bank is only one of the industry's strategic concerns. There is ample evidence already that the U.S. financial system is entering another period of change. Inflation once again is partly responsible, for it is breaking down traditional patterns of doing business and of regulating the financial sector.

Many of the major banks have already reacted to this by putting increased emphasis on forward planning—Chase Manhattan is one such. But planning is an awesome task in the current environment not only because of the rapidly changing competitive pressures but also because the changes which are emerging are clearly demanding a political response in Washington—and Washington can be a most unpredictable place to do business with.

The passage last year of the International Banking Act provides one example of just how unpredictable the Washington politicians can be and how far reaching the ramifications of decisions they make.

The incursion of foreign banks into the U.S. has been gathering pace since 1972 and since 1975 proposals for legislation to eliminate some of the advantages the foreign intruders had over domestic banks had been under consideration. It was not until Hongkong and Shanghai Bank and National Westminster made their multi-million dollar takeover bids, however, that Congress really sat up and took an active interest.

The Act which the President eventually signed into law last September was a compromise which brought foreign banks under the wing of the Federal Reserve Board, giving the latter power to require foreign banks to maintain non-interest bearing reserves with it. It also partly eliminated the foreign banks' advantages in being able to operate branches or subsidiaries in more than one State.

## Easing

But as many of the big banks in the U.S. had been hoping the Act also opened the door to a reassessment of how they should operate — by easing the regulations for Edge Act subsidiaries and, critically, requiring the White House to prepare a report on the thorny question of those banking laws which effectively prohibit a bank from operating deposit - taking branches outside its home State.

This restriction has been becoming such a burden to banks in New York, Chicago and California, for example, that already they have been actively finding ways around it—for instance, by issuing credit cards around the country or setting up loan production offices in different states to try and bring in regional business. Some operate finance companies which are not subject to such geographical restraints.

Indeed it is the combination of the relatively poor profitability of their domestic business and the competitive challenges from finance houses, savings and loan institutions, and new financing sources such as the commercial paper market which have helped to make the New York banks in particular so anxious to break down the geographical restraints on their expansion.

But none of the big banks can be in any doubt that the issue has yet to be joined. The U.S. is a large and diverse nation. Outside the biggest cities are some 13,000 small banks, many of which fear being overwhelmed by their giant rivals. Small they may be, but they also come from areas which have Senators and Representatives in Washington. Their political pull can be immense and any corporate planner betting that the law on inter-state branching will be changed to favour the money centre banks in the near future would find it hard to get favourable odds.

It is just this sort of political uncertainty which surrounds so many of th regulatory issues *now rapidly emerging.*

Early last year, for example, the Federal Reserve took the lead in permitting commercial banks an avenue to side-step regulations which prohibit them from paying interest on demand deposits. Reluctantly, the savings and loan industry, sections of which are offering checking services, and which was anyway threatened by the new freedoms thte banks were to receive from November 1, followed suit. But lawsuits were filed challenging the Fed's decisions and only last month the Appeals Court overturned the decision, saying the Fed lacked the authority to move as it had.

There is a possibility of an appeal, but in view of the controversy the arbiter of the dispute will most likely turn out to be Congress, which is now examining the prospects for legislation. Predicting how Congress will act, or even if it will act at all, is a more difficult task than assessing how and when the courts might rule on an issue.

This was demonstrated again last month when the House banking committee finally threw out proposals which the Federal Reserve was anxious to secure in order to try and stem the tide of banks quitting the Federal Reserve system. Many of these departures result from the cost of maintaining interest-free reserves with the central bank as the price of membership.

Legislative proposals to require larger banks and savings institutions to keep reserves at the Fed were defeated in the committee, leaving the chairman Mr. Henry Reuss complaining bitterly about the lobbyists from the American Bankers' Association who fought the Bill.

The issue has potentially far-reaching implications. Some banks want to see reserves virtually eliminated, a move which would have implications for the Eurodollar markets. It is in part the absence of reserve requirements in that market which has facilitated its growth.

The list of prospective regulatory changes is not exhaustive. Another involves a top level committee of the Administration which is looking at the implications of Regula*tion Q, which sets the terms and* maximum interest rates banks and savings institutions can pay on deposits.

Once again the issues involve the balance of competition between different financial institutions. The high interest rates associated with inflation, the growth of new deposit institutions such as money market funds and proposed changes in savings instruments make it almost impossible for the regulators to ignore the issue in the absence of a solution to the inflation problem.

Most bankers would agree that out of this ferment of activity fundamental changes in regulations governing financial institutions of all sorts are likely to emerge. But it would be impossible to achieve any consensus on what the changes might be. Indeed one of the disturbing features of the debate is the danger that it could result in piecemeal changes lacking coherence.

It is into this uncertain environment that foreign banks which are expanding into the U.S. are venturing. They can be assured of an exciting journey.

# FINANCE IN THE U.S. IV

*The floor of the New York Stock Exchange, pictured here on one of its busiest days (April 17, 1978) in its history, when institutional buying drove prices up sharply*

# A better year for securities

WHILE THE U.S. securities industry is not, exactly wearing its hat on the side of its head this year, it has a decidedly jauntier air than was apparent 12 months ago. There are fewer rumours on Wall Street of imminent bankruptcies and forced mergers, while a number of the industry's giants are spending big money on diversification programmes designed to reduce their dependence on securities brokerage and investment banking.

In short, it is still amazing what a half-ways decent year for the stock market can do for the U.S securities industry, whose aggregate after-tax profits last year rose 86 per cent to $356m.

Although several companies have turned in some tidy profits from the gathering pace of merger and acquisition activity, securities trading, particularly in equities, remains the backbone for many. Thus the 36.6 per cent increase in the daily average trading volume on the New York Stock Exchange (NYSE) last year, from 20.9m shares to 28.5m, was the saving of the industry.

Recent first quarter earnings reports from a number of the publicly quoted companies indicate that the increase in the average daily trading volume in the first three months of this year to 27.52m shares compared with 20 1m in the corresponding period last year is helping to maintain earnings improvement. In addition, major dealers in fixed income securities are benefiting from more stable interest rates and recovering from the large inventory and trading losses of last year's fourth quater when prices collapsed an dinterest rates shot up.

## Abortive

While an attempt last year by a handful of brokerage houses to raise commission charges on share trading to institutional customers proved abortive, rates have apparently stabilised and this factor together with the higher trading volume helped add close to $1bn to industry revenues, which totalled $8.8bn in 1978.

According to Dr. Jeffrey Schaeffer, director of research at the Securities Industry Association, the decline in commissions as a proportion of total industry revenue halted in 1978, and amounted, as in 1977, to 42.7 per cent. But the proportion of revenue from trading and investment fell from 19.2 per cent to 17.5 per cent and from underwriting from 11.5 per cent to 8.4 per cent in reflection of the drop in total underwriting volume from $83.4bn in 1977 to $77.1bn.

Investors, however, were borrowing record amounts from their brokers last year to finance stock purchases, and helped by rising interest rates interest income from margin debt rose from 11.1 per cent of total revenue to 13.3 per cent.

Although the industry's after-tax return on total capital of 8.5 per cent was slightly ahead of they ear before it still fell significantly short of the 15 per cent return of U.S. manufacturing industry. It was also considerably below the recent peak for the securities industry of 13.1 per cent in 1976.

There were also significant variations which last year at least cast some doubt on the prevailing view that there are significant benefits to be gained from size and diversity of activity. Thus the top 15 brokerage houses measured by capital secured a 9.4 per cent rate of return on equity, the second 15 4.7 per cent and the rest 16.9 per cent.

Such figures are unlikely, however, to deter some of the larger firms from making further acquisitions and from diversifying into other areas of brokerage. Merrill Lynch, the industry's giant, has been setting the pattern which is being emulated by others such as Shearson Hayden Stone.

Merrill Lynch has had a mortgage financing subsidiary for a number of years, but this was significantly strengthened by the acquisition of Huntoon Paige Holding Corporation, which is involved in mortgage banking and servicing. This move is part of a broader plan to offer a full range of property brokerage and financing services which included the April 1979 purchase of Van Schaack Associates, a Denver, Colorado, property company.

## Interesting

AMIC Corporation is another important piece in the property mosaic being assembled by Merrill Lynch and was purchased last year for $90m on the strength of its specialisation in providing mortgage loss insurance to mortgage lenders. AMIC will sit nicely alongside Merrill Lynch's existing family life insurance subsidiary.

Merrill Lynch was also the central figure in last year's most interesting Wall Street merger. The $50m purchase of White Weld took everyone by surprise, including a goodly number of White Weld's account executives and senior managers who voted with their feet. Merrill Lynch says that "on balance" it is pleased with the acquisition.

The White Weld link with Credit Suisse was eventually taken up by First Boston in a move which underlined Wall Street's growing interest in international investment banking. But there was also considerable activity in opening up securities sales offices abroad capable of plugging Wall Street into the markets which ring the globe and ensure virtual 24-hour trading.

Inevitably, however, the focus for most firms remains domestic. Within the U.S., trading prospects in a broader range of securities are increasingly promising. While the NYSE is still forced by the Securities and Exchange Commission (SEC) to keep its plans for options trading on the shelf, the Big Board is pressing ahead with plans to start a financial futures market in competition with the Chicago Board of Trade.

Trading rivalry between the two cities seems bound to intensify in the next few years, particularly if hitherto abortive merger proposals involving the NYSE and the Commodities Exchange and the NYSE and the American Stock Exchange (Amex) are revived, as many expect. Significantly, the list of financial instruments whose futures the NYSE intends to list do not include the Amex's prime listing, Government National Mortgage Association securities.

The NYSE has been criticised for being slow to wake up to the need for expansion and change but the organisation has been winning praise for its skilful handling of the SEC over the vexed issue of creating a national market mandated by Congress in 1975.

The SEC appears to have accepted the NYSE's view that the precipitous abolition of restrictions on the trading of listed securities by members away from the exchange might do untold damage to the efficiency of the auction market in equities. At one time the SEC saw the removal of this trading barrier as a fundamental prerequisite of a move towards a national equities market and the NYSE appeared to have little more to offer than negative opposition.

But in the past year the NYSE has attempted to set the pace and by taking the initiative away from the SEC to forge a national market which may do less damage to its domination of equities trading. The Big Board claims that most of the key elements of a national market system are now in place and categorises them as follows:

- A consolidated tape informing the brokerage community and the public at large about last sale prices in listed stocks in all markets where they are traded;
- A composite quotation system which since last August has disseminated current bid and asked prices from all market centres;
- Clearance and settlement mechanisms for the electronic transfer of funds and securities once a transaction is completed;
- The intermarket trading system (ITS) which electronically links the American, New York, Midwest, Boston, Pacific and Philadelphia stock exchanges.

ITS started last April with trading in 11 stocks in a system which enabled brokers and market makers in any of the six markets to reach into other markets for better prices. Trading has since been expanded to cover more than 300 stocks and the plans call for trading in close on 1,000 stocks by the middle of this year.

The SEC has not yet endorsed ITS as necessarily the most appropriate model for a national market and may be a little disturbed by the fact that it has not yet had any noticeable impact on the NYSE's supremacy.

Last month the SEC broke a fairly long silence to propose two rules aimed at satisfying its continuing desire to create more competition for the specialist on the floor of the exchange who is the basic market maker.

The first proposal would allow exchange members to trade newly listed stocks away from the floor of the exchange, which means that dealings in these stocks would not have to be routed through specialists. Some exchange-listed stocks are already traded in the so-called third market by non-members of the exchange but it has long been argued that these basically small, less capitalised firms cannot compete as well with the specialists as could the big brokerage firms.

## Experiment

If the rule is adopted it will clearly be seen as an experiment which will give some indication as to extent to which auction markets may be replaced by dealer markets in listed stocks.

The SEC's second proposal calls for protection for small investors who have placed limit orders which are instructions to buy and sell a stock when its price reaches a certain level. At the moment there is no mechanism by which a specialist holding limit orders in one market can plug into procedures for handling limit orders in another. The SEC proposal may well require new machinery, such as an electronic limit order book and a method of displaying limit orders.

If this rule is finally adopted it would not come into force until July 1 1981 so as to give the industry time to come up with the necessary devices.

**John Wyles**

*The reception area of the Los Angeles marketing office of National Westminster Bank, one of the leading UK banks which has entered the American arena.*

# Options trading needs new controls

GAMBLING IN the U.S. tends to be strictly regulated by law and many of its forms, such as private bookmaking on horseracing and casino gambling, are outlawed in most States. Sociologists might argue that in consequence there is an unsatisfied appetite for gambling in America and, among other things, they might point to the phenomenal growth of trading in listed options over the past six years.

Not that the mushrooming of trading volume is necessarily a reflection of Mr. Average American risking his wage packet, although there are now dozens of documented cases of unwary citizens losing a great deal of money on options. Professional traders, broker dealers and large investors probably account for a very large proportion of all contracts traded. But because ownership of options is very much a form of short-term stock trading, involving significantly less capital outlay than the cost of the underlying stocks, it has a strong appeal to the gambling instinct both for those bent on large capital gain or on hedging risks taken in other markets.

Listed options are complex securities whose real nature can be clouded by the fact that in outline their trading can seem almost as simple as a wager on horses or placing a bet at roulette. To the casual investor trading options can seem to be buying and selling shares which he does not actually own.

There are two forms of option contracts—the "call," which is the longest established, and the "put." Essentially, the former gives the owner the right to buy 100 shares of underlying stock at a stated price (the striking price) at any time before a deadline at which the option expires. A "put" option gives the owner the right to sell *to the writer 100 shares of the* underlying stock. The owner of a "call" option hopes to profit by an increase in the price of the underlying shares. A "put" owner, by contrast, is looking for a fall in the price of the underlying stock which he may be able to buy below the striking price and thus profit on the sale to the writer of the option.

The buyer of the "call" option has the right to buy the underlying stock, and does not profit until the price of the underlying stock increases sufficiently to cover the premium (price paid for the call option and usually less than 10 per cent of the underlying stock's market price) plus transaction costs. The call option seller has the obligation to deliver the underlying stock on exercise of the option, limits his profit to the premium less transaction costs and limits his risk only to the extent that the increase in the underlying stock is greater than the net premium he received.

## Term

Listed options may have a maximum term of nine months but in 1977 the vast majority were written for shorter periods of between three and six months. Most options contracts are bought for trading in the secondary market but on expiry an exchange of shares must, where necessary, take place.

"But both the purchasing and writing (selling) of options involve a high degree of financial risk. Only investors who understand these risks, and who are *able to sustain the costs and* financial losses that may be associated with options trading should participate in the listed options markets. Too often, public investors have been encouraged to use listed options without regard to the suitability of options for their investment needs."

So begins the report of the special study of the Options Markets prepared by a 35-strong task force and submitted to the Securities and Exchange Commission (SEC) in February. Running to more than 1,100 pages, it represents probably the most exhaustive study of options trading yet conducted anywhere in the world and its existence is almost entirely a result of SEC concern that in permitting options trading it had opened a Pandora's box of *threats not only to* individual investors but also to the stability of conventional equity markets.

Trading in listed options began in February 1973, when the Commission authorised the Chicago Board Options Exchange (CBOE) to begin trading in "call" options on 16 underlying stocks. By 1977 listed options were also being traded on the Pacific, Midwest, Philadelphia and American Stock Exchanges and the range of trading had been expanded to embrace "put" options. With the CBOE as the dominant forum, the number of stocks on *which* call options were traded had increased from 16 to 219.

At the same time trading volume has rocketed. Measured by the number of shares receivable on exercise of an options contract, volume has leaped from the equivalent of 2.6 per cent of the New York Stock Exchange's (NYSE) total *share volume in 1973 to almost* 75 per cent during the first six months of 1978. Meanwhile, premiums paid for options contracts increased from 0.3 per cent of the dollar value of shares traded on the NYSE in 1973 to 8.2 per cent in the first six months of last year.

By the autumn of 1977 the SEC was sufficiently concerned about the adequacy of regulation of options trading by the exchanges themselves to secure a voluntary moratorium on any further expansion of listed options, thereby shutting the door on NYSE plans to trade listed options which would almost certainly have added to an already surging rate of growth. The SEC's anxieties fell into four categories: (1) ability of the self-regulatory organisations (the authorities which run the exchanges) to provide adequate supervision to prevent fraud, manipulation and deception in trading the listed options and their underlying securities. (2) The adequacy of existing rules to prevent a variety of abuses. (3) Whether a standardised options market was being *developed which was consistent* with both the public interest and the mechanisms of a national market for securities. (4) The need for appropriate standards by which to judge particular programmes which would have the effect of expanding or altering existing pilot options programmes.

## Force

In trying to answer these questions, the SEC's task force has laid special stress on the inadequacy of supervision by the various exchanges and on the lack of internal controls on sales staff in the brokerage community. Mr. Richard Teberg, the study director, has not erected any principled opposition to options trading, which he said in his letter to the SEC accompanying the report could "provide useful alternative investment strategies to those who understood the complexities and risks of option trading."

But he went on to warn that such was the complexity of options trading that the study did not provide definitive answers to all of the questions which need to be answered and he suggested that continuing study should be part of a regular SEC programme to oversee the options markets.

The study found several grounds for criticising brokers and said that it had found numerous instances of sales practices in which securities salesmen told investors of possible rewards they might expect without simultaneously warning them of the risks attached to options trading. Salesmen often recommended strategies which "it is doubtful that the salesmen, much less their customers, understood." Mr. Teberg added: "Serious shortcomings were found in the self-regulatory organisations' overseeing programmes to detect and prevent selling practice abuses of their member firms." As a result, the study recommended a number of improved internal controls for brokerage firms which would be enforced by new rules from the self-regulatory organisations.

The five exchanges currently trading listed options together with the NYSE and the Securities Industry Association have formed a task force to consider the SEC recommendations and to frame uniform rules. Their *aim is to agree a set of changes* with the SEC which would permit the lifting of the voluntary moratorium on expanded trading. Many of the recommendations contained in the SEC report are not controversial but there are a number worrying the exchanges, including the proposal that member firms *should supply* more details of customer accounts. This, it is argued, would reduce the profitability of smaller firms by raising their overheads.

**J.W.**

# The stresses of tight money

ANYONE TRYING to stop a runaway bus on the handbrake would be well advised to wait until the vehicle is running uphill before he makes the attempt: a cynic might infer that *it is for this reason that* the tightening of U.S. monetary policy, which has provoked such a remarkable recovery in the international value of the dollar since November 1 last year, was left so desperately late.

Even now, when the *four-year* U.S. boom *is naturally running* out of momentum, the effort is creating extraordinary strains and distortions, with bits falling off the vehicle altogether. An earlier attempt might have ruined the Federal Reserve System. The Fed is only barely in control, it appears.

## Underline

This may seem a rather fanciful way of describing recent monetary events in the U.S., but it is meant to underline a serious worry, and raise an important question. The worry is that the effort to check U.S. credit demand after four years of excess has provoked structural changes on a scale never seen before. Business has moved offshore or into the direct-loan market on a massive scale. Banks have been dropping out of the Federal Reserve System altogether, and those remaining inside have invented new ways of getting round the Fed's obstructions.

Some observers are even beginning to talk of the return of a "free" banking system, either with approval or with horrified memories of the bank*ing collapses which punctuated* U.S. history before the Federal Reserve System was established. The question is how this came to happen, and whether the damage can now be repaired.

First, the history. Cyclical views are always deceptive, and there can be little doubt that the timing of the U.S. squeeze has been a matter of luck rather than management—indeed, a more accurate, if cynical, sum*mary of recent U.S. history* is that the whole story shows the combined power of luck and bad management. Serious monetary restraint began on November 1 because it was only during the summer of last year that the Administration had become seriously worried about the dollar, and only after the anti-inflation package of *October 24* had flopped internationally that Mr. Carter's advisers were persuaded to swallow their populist objections to higher interest rates.

It seems equally clear that the partial disintegration of the system has taken most observers *by surprise, and has also created* severe confusion. Academics who take the monetary aggregates seriously believe that there has been a violent credit crunch which risks creating a severe recession. Wall Streeters, aware of the flood of funds still available, question whether there is any restraint at all. The Fed, observing the dollar and the trade balance, claims success.

Any economic judgment must certainly rely on feel rather than on the statistics. The growth of credit and liquidity outside the recorded monetary series has been explosive. First came the remarkable growth of the *commercial paper market.* More recently there has been the mushroom growth of re*purchase agreements*, by which banks can tap corporate cash balances by pawning their own holdings of commercial paper overnight. Such agreements, almost unknown in the recent past, have now reached a volume of some $80bn.

An equally recent invention is the money market mutual fund, which enables non-banks to buy units representing wholesale deposits; these have now passed the $10bn mark. Since November, too, the savings and loan organisations have been able to offer checking accounts. Credit cards are moving into the instant cash business. *Finally, on the credit side*, the corporate market has a huge, unmeasured reserve of potential credit and liquidity internationally, through currency switching and the leads and lags of international trade credit.

While the many innovations in the domestic market mean that the published monetary statistics have little detectable meaning, the final international factor has a special significance. For when companies find it advantageous to tap their international drawing power, the effect is to strengthen the dollar without much effect on the *domestic climate.*

## Start

One can, then, make a start at least in sorting out the conflict of analysis. Academic warnings of over-tight restraint can be ignored, because they are based on meaningless figures. However, the Fed's claim that its policies have achieved their objective of turning the dollar is not necessarily in conflict with the feeling on Wall Street that there is still more than ample credit available. In a world in which central banks intervene to finance large movements across the exchanges, the Fed may well have moved interest rates far enough to damp the demand for domestic dollar credit, while attracting an increased supply from overseas.

The question is whether this *is a sustainable position.* It is clear that in a world of growing distortions, the Fed is constrained to operate a pure interest rate policy, and to judge the result by the seat of its pants. Is this powerful enough to stabilise both the dollar and the U.S. economy? The answer involves both bank*ing and the real economy.*

On the banking side, it seems clear that the main causes of distortion are an excess of regulation of the wrong kind. The Fed is not allowed to pay interest on reserves held with it by the banking system. This accounts for the spread between deposit and lending rates in the system which has provoked such an orgy of disintermediation. Banks are not allowed to pay interest on current accounts—which explains the growth of new and more rewarding forms of liquidity. Consumer credit is largely exempt from the Fed's own interest rate policies, under State laws limiting interest charges, which explains the continued buoyancy of demand, and the threat that the supply may suddenly and disruptively dry up. Congress could cure most of these worrying ills, but is unlikely to move.

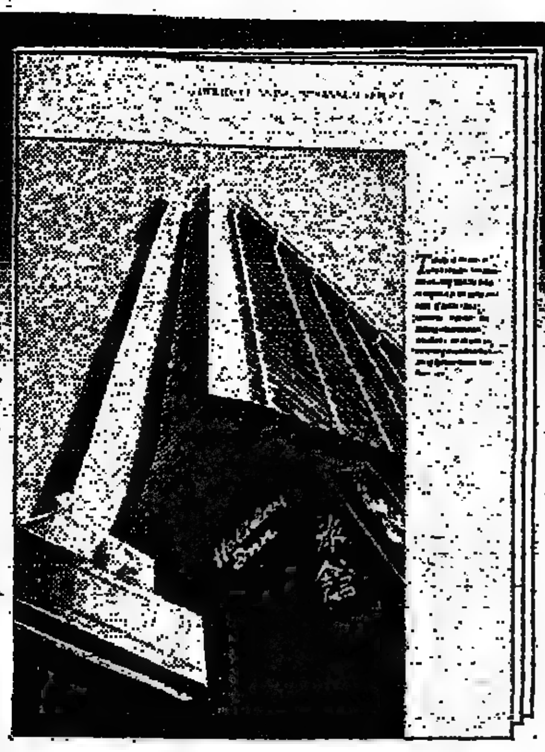
## Robust

As a result, the likelihood of a banking crisis depends not so much on banking regulation as on the quality of the borrowers. The U.S. corporate sector appears to be in robust good health. It has responded to the long boom remarkably conservatively, running tight stocks and a restrained investment programme, and expanding mainly in labour-intensive ways—the lagging productivity of labour, which provokes such despair among U.S. commentators, is allied to a remarkable growth in the productivity of capital. It seems unlikely that corporate loans represent any undue risk, even at the peak of a long boom.

Consumer credit, unhappily, is more questionable. Consumers in the U.S. do seem to have responded to inflation in a much more carefree way than is familiar on this side of the Atlantic. Savings rates have fallen sharply. Borrowing, with a very heavy second-mortgage component, is still growing rapidly, though the growth rate is falling. If the latest price rises provoke a still more active flight from money, the position would become very exposed, since it is secured on property values and high employment levels, both very vulnerable to a downturn. A consumer credit for potential building material crunch could be fairly disastrous.

There are two hopeful factors to set against this. First, the recovery of the dollar since November 1 may soon check the inflation figures, as we know from British experience; while the gain in competitiveness which remains, and the improvement in the U.S. trade balance which has already been seen, may help to sustain enough activity to protect money incomes and money credit. *The fact remains that* the Fed has a delicate task and skimped means to achieve it: the U.S. economy needs a soft landing not only for humane reasons, but to protect a fragile and rickety credit system.

**Anthony Harris**



## Holiday Inns Inc.

Holiday Inns Inc. is a growth oriented, diversified, international corporation providing services in the lodging, food service, entertainment and transportation industries. Net income in 1978 advanced 19% to $62.8 million on a 15% increase in revenues to $1.2 billion. Dividends increased by 12.5% annually for 10 years and the current annual dividend is $0.66. Return on shareholders equity reached 11.9% in 1978. (NYSE Symbol: HIA).

## Hospital Corporation of America

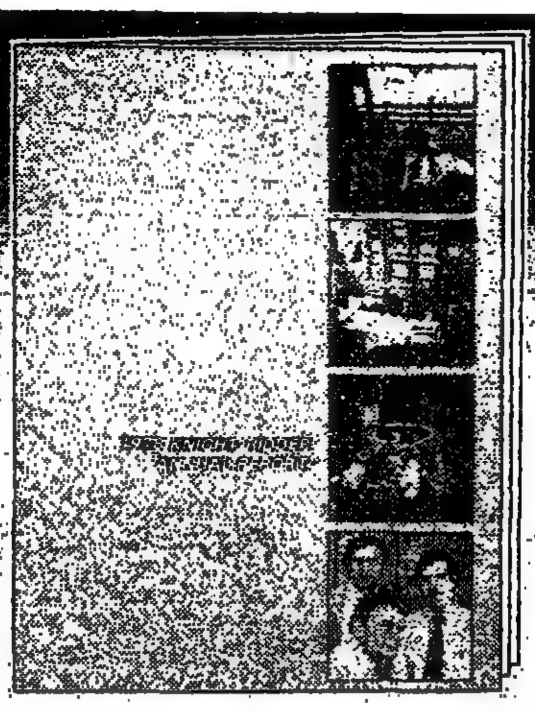
Hospital Corporation of America is the world's leading hospital management company currently operating more than 150 hospitals with over 19,000 beds in the United States and internationally. Since HCA's founding in 1968, the Company has never had a down quarter and earnings have grown at an annual compound rate of 30%. In 1978, HCA's revenues increased 37% to $797 million and earnings were $2.39 per share, up from $1.95 in 1977. HCA is a recent addition to the S&P 500. (NYSE Symbol: HSP).

## INA Corporation

INA is one of the United States' largest diversified financial services companies, with principal interests in property-casualty insurance, life and group insurance, health care management and investment banking. INA has conducted insurance business in London since 1795. The carrying value of INA's total investments was $5.4 billion at year-end. In 1978 operating earnings increased 27.4% to $211.4 million. INA has paid continuous cash dividends since 1874, and recently increased its annual payment rate 15.4% to $3.00 per share from $2.60.

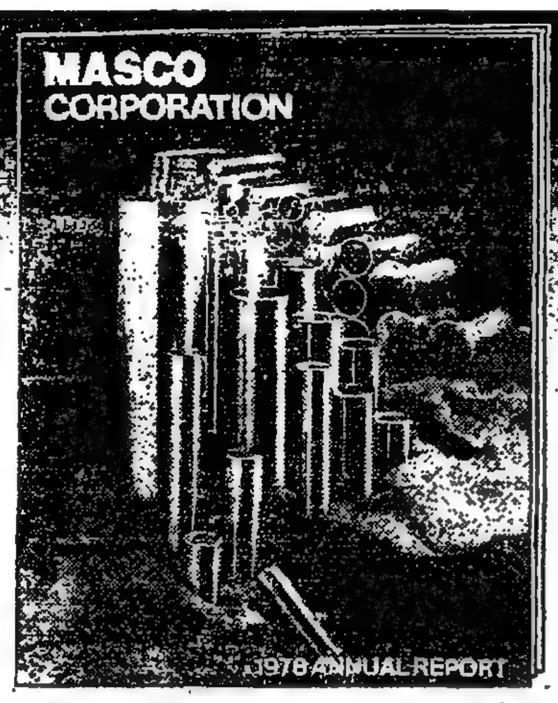

## IU International

IU International is a diversified company with major interests in land transportation, ocean shipping, utilities, industrial products and services, distribution services, and agribusiness. IU's dividend payout – 93.5 cents per common share in 1978 – increased for the 34th consecutive year. Revenues in 1978 were $2.5 billion. IU has 45,000 shareholders and approximately 34 million shares outstanding. (NYSE Symbol: IU).



## Knight-Ridder Newspapers Inc.

Knight-Ridder's 32 daily newspapers circulate about 25 million copies a week, the largest circulation of any U.S. newspaper group. In 1978, the company acquired three VHF television stations and one UHF television station. The five-year growth record: earnings per share from continuing operations have grown 16.1% on a compound annual basis while dividends have grown 24%.



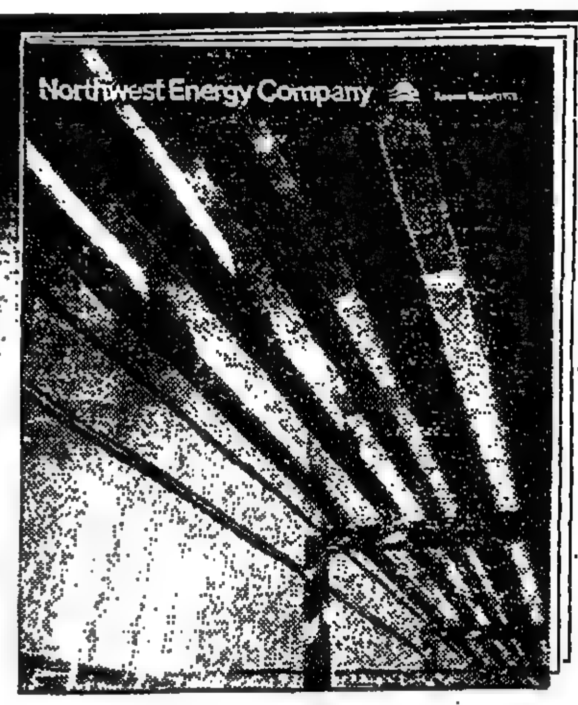

## Masco Corporation

Two Decades of Growth . . . Masco manufactures faucets and other residential and home improvement products; energy-related and other specialty products; and cold extruded and other components for industry. By establishing proprietary leadership positions in markets with above-average growth potential and providing superior value to customers, Masco has reported two decades of growth . . . uninterrupted annual increases in sales, earnings and dividends.


## Nabisco, Inc.

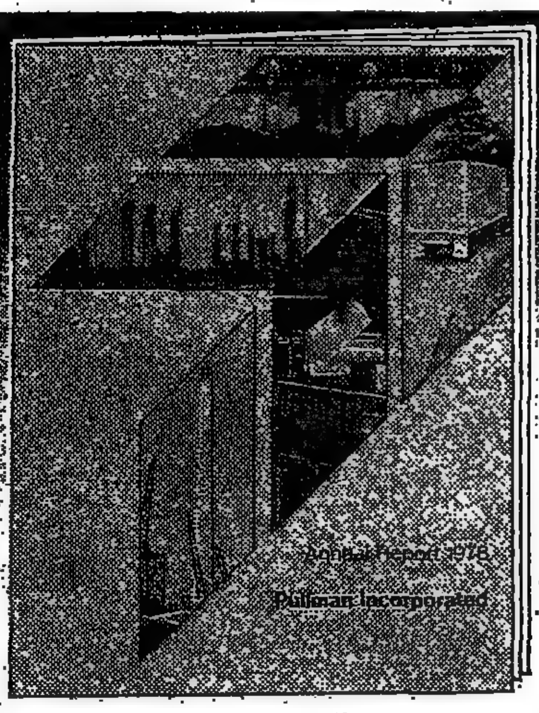
Nabisco, a worldwide consumer products company, is widely known as a manufacturer of quality cookies, crackers and snack products. Nonfood products include popular toiletry and pharmaceutical brands, as well as household accessory items.

Record results were achieved in 1978, with sales reaching $2.2 billion and net income surpassing $100 million for the first time. Its products are marketed in more than 100 countries.




## Northwest Energy Co.

Northwest Energy Company is committed to developing and transporting energy resources. Through subsidiaries, the Company supplies natural gas to seven western states, is operating partner for the group which will construct the Alaskan section of the Alaska Highway Pipeline Project, seeks to develop Rocky Mountain natural gas and oil reserves and operates an underground coal mine in Colorado. Highlights of year ended December 31, 1978 are:
**Operating Revenues** $820,000,000
**Net Income** $38,813,000
**Per Share** $9.02




## Pullman Inc.

Pullman Incorporated is a diversified international corporation primarily engaged in the engineering and construction of industrial and process plants and the manufacture and leasing of transportation equipment. Annual revenues exceed $2.5 billion. Profits in 1978 reached a record high. For all its 111 year history, Pullman has paid consecutive quarterly cash dividends – a record unmatched by any industrial company.

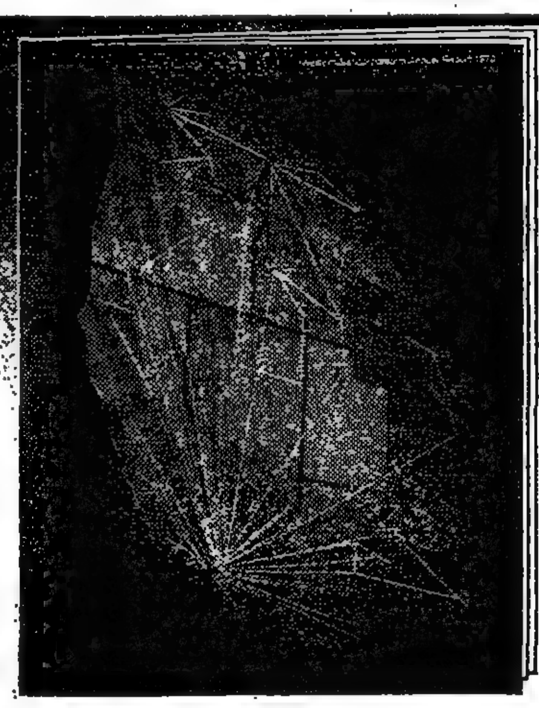

## Tiger International Inc.

Tiger International's net income increased by 90% in 1978. Earnings per share rose from $2.08 to $3.68.

Revenue from Flying Tigers, the world's largest airfreight airline, was up 38%. Leasing Group revenue, sparked by railcar and aircraft leasing, was up 36%. Tiger Investors Mortgage Insurance revenue was up 24%.

## Tyler Corporation

1978 was the eighth consecutive year of record sales and profit performance for Tyler Corporation (NYSE). Fully diluted earnings per share increased 17% to $2.14, setting five-year and ten-year compound growth rates of 25% and 20%, respectively. At 21.4%, return on shareholders' equity exceeded 18% for the eighth successive year. Tyler competes in the fields of building materials, trucking and industrial explosives. Annual dividend rate: $0.45 per share.



## Western Bancorporation

WBC's banks in 11 western states operate 800 offices in 405 communities, including the 21 largest western markets. The eighth largest U.S. banking company, WBC closed 1978 with record earnings for the third consecutive year – $167.2 million, up $47.6 million over 1977. Earnings per share of $4.55 were up 36.2%. In 1978, WBC paid a 50% stock dividend and increased the annual cash dividend rate 20% to $1.36 a share, the third increase in 18 months.

# More facts and figures that add up to sales of U.S. $18.9 billion.

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| ☐ Knight-Ridder Newspapers Inc. | ☐ Masco Corporation | ☐ Nabisco, Inc. | ☐ Northwest Energy Co. |
| ☐ Pullman Inc. | ☐ Tiger International Inc. | ☐ Tyler Corporation | ☐ Western Bancorporation |

Name ____________________ Position ____________________

Company ____________________ Address ____________________

________________________________________

8/5/79

# Foreign investment at record levels

AS THE dollar plunged to new lows on the exchange markets last year the pace of foreign-directed investment into the U.S., which has been accelerating since 1973, quickened again. By some reckonings, data produced by the Commerce Department and the Conference board—a New York-based business research organisation—direct investment from abroad hit record levels.

According to the Conference Board data West Germany leads the list of nations putting funds into the U.S., at least in terms of the number of investments being made, with Britain and Canada following closely behind.

The Conference Board noted an increase from 281 to 358 in the number of direct investments. The Commerce Department estimated that on the balance of payments basis which it uses the amount of foreign investment rose by \$5.6bn to \$39.7bn. A more broadly based estimate of the total assets of foreign-owned businesses in the U.S.—as distinct from the book value of their equity—totalled \$310bn, up from \$174bn in 1974.

For some investors currency and stock market movements are no doubt important considerations behind their decisions. The acquisition of U.S. property and farmland by private investors perhaps most closely conforms to the stereotype of flight capital moving to what is seen to be a politically stable haven at a time when assets are cheap.

Untold sums of money are being funnelled into the U.S. into such property. But just how much is a complete mystery, although nobody is in any doubt that the figures run into hundreds of millions of dollars.

Indeed it is one of the few forms of foreign direct investment which has shown signs of provoking a political backlash — another is commercial banking investment. Thus last year there was such an uproar from some U.S. farming interests about foreign capital driving up farmland prices that Congress began to consider legislation which would require foreigners to report land purchases.

Another sign of the attractions of U.S. property to foreign investors was the tentative approach which the West German Deutsche Bank made about the prospects of purchasing the skyscrapers which dominate the Manhattan skyline, the World Trade Centre. Property experts suggested that such a deal would see \$1bn change hands. The bank's idea apparently was to parcel up the property into digestible chunks and sell it off to private investors.

## Compiled

While it may be possible to argue that depending on what is the form of the investment some factors are likely to be more important than others in the decisions being taken, the complexity of the forces at work should not be oversimplified. The fact that so much direct investment has come from Britain over the past five years—even though sterling was weak throughout much of that period in relation to the dollar—clearly suggests that currency issues are not decisive.

The Conference Board, for example, has compiled a list of motivations ranging over the size of the U.S. market, the generally higher level of profitability in many sectors of U.S. industry compared with that in some foreign countries, increasingly favourable labour costs in comparison with other countries, which has reduced the attractiveness of exporting to the U.S., and the availability of management, labour and technology.

Such a list is far from exhaustive. Japanese companies, particularly in the television industry, have been concerned about the threat of trade protectionism limiting their U.S. export market.

Standard and Chartered, the UK banking group which bought Union Bank of Los Angeles earlier this year, is generally believed to have been anxious to diversify its geographical base, currently heavily dependent on Southern Africa, a part of the world which threatens to be politically unstable.

The sheer size of a company like Unilever in other parts of the world and its limited presence in the U.S. was a factor in its decision to expand through the purchase a year ago of National Starch.

But as the pace of foreign direct investment has quickened the wisdom of some of the moves is being questioned and some observers are wondering whether fashion is becoming an important but irrational factor in the decision making, something which is not uncommon in financial markets.

It will probably be many years before the wisdom of many current investment decisions can be assessed, and perhaps by then some of those making today's decisions will be able to retort that they did indeed get into the U.S. when prices were depressed and that their judgment of long-term prospects was prescient.

But if nothing else, the contrast between the strategies being followed by major U.S. corporations which have been embroiled in an orgy of takeover activity themselves should give pause for thought.

The U.S. takeover wave of the past three years has been typified by conglomerate acquisitions in which companies have sought partners in unrelated or loosely related fields. In part this characteristic has been dictated for some corporations by anti-trust laws. But it also reflects a desire to get into different lines or business with different earnings characteristics, greater stability throughout the business cycle or higher growth potential.

Another characteristic of many U.S. takeovers has been that target companies have often been leaders in their field, with solid market shares or special technology to offer.

Foreign investors have also been very active in acquiring U.S. concerns in the past year. Indeed acquisitions appear to be becoming a more popular way of getting a U.S. foothold. According to merger consultants W. T. Grimm there was a 23 per cent increase in foreign acquisitions of U.S. companies last year to a total of 199 and in the first quarter of 1979 the firm detected a further acceleration, with 63 acquisitions proposed against only 37 a year ago.

Unlike those of their U.S. rivals, however, foreign investors' opportunities are often limited. Most are extremely reluctant to get into hostile takeover situations, even though this is an area where many U.S. groups have been shedding their inhibitions.

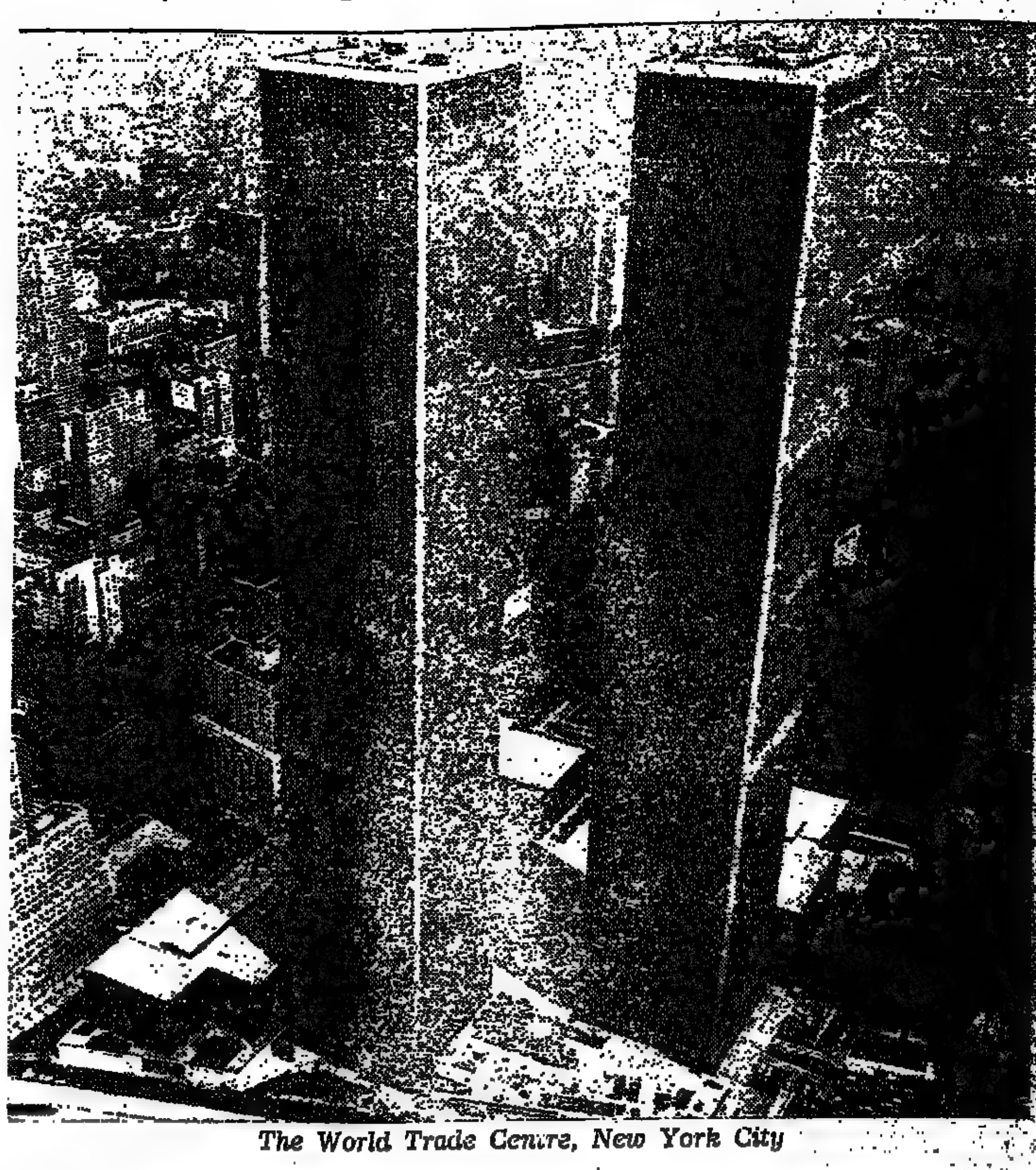
Foreign corporations, while getting geographical diversification, generally lack the assurance needed to make a major product diversification acquisition in an unfamiliar market. Often the overseas company simply does not have the resources to buy a leading company in its field.

It is notable too that several acquisitions, particularly in the supermarket and banking fields, have been of businesses which have been going through a difficult period. Clearly the foreign managers believe that they have something to offer to turn a company around. In contrast, many of the major bids between U.S. companies have involved highly successful operations with management of proven quality in residence.

Those foreigners who made their acquisitions two or three years ago have had as background a booming U.S. economy against which to sort out their relationship with their U.S. property and to begin to earn the profits which their investments have been aimed at securing.

As inflation accelerates in the U.S. and the economic outlook darkens it will be interesting to see whether a more cautious mood prevails. The evidence so far suggests that it will only be when a recession hits, if it does, that foreign direct investment will slow down. After all, at the beginning of 1978 most economists were forecasting a much slower U.S. growth rate but this does not seem to have discouraged foreign investors.

S.F.



*The World Trade Centre, New York City*

### FOREIGN INVESTMENT: RETAILING

# Ready to join the fray

FOREIGN INVESTMENT interest in U.S. retailing has come on strongly in the last 12 months, bringing with it several bids worth over a billion dollars. On the face of it, this seems an odd moment to pour such huge sums into American supermarkets and department stores, what with inflation and the chance of a recession darkening the horizon.

However, the bidders all seem to believe in their ability to make something of the hotly competitive U.S. retailing business, despite the failure of many Americans to make something of it themselves.

The recent \$1.1bn bid by Brascan of Candada for F. W. Woolworth is the largest and most widely noticed of the foreign sallies. But it comes on the heels of the \$54m acquisition by Tengelmann of West Germany of 29 per cent of the Great Atlantic and Pacific Tea Company (A and P), the U.S.'s largest supermarket chain, with an option on 13 per cent more. Before that Agache-Willot, the French textile and retailing conglomerate paid \$49m for Korvettes, the department store chain, and Cavenham paid \$133m for Colonial Stores, the Atlanta-based supermarket chain.

Although retail sales continue to be brisk as the current economic revival moves into its fifth year, few but the most aggressive and efficient businesses find life easy in retailing.

Sears Roebuck, the largest of them all, has been struggling for two years to improve its profit margins and recapture the market share it lost in a painful price-cutting war. Similarly, A and P is in the process of paring back its operation by more than 150 stores to haul itself up into the black. In fact, without the Tengelmann bid, its prospects would be highly uncertain. Profits in the food retailing business are currently estimated to be going up by about 7.5 per cent a year, but costs at 12 per cent or more.

Furthermore, the high visibility of the retailing business makes it vulnerable to President Carter's wage and Price "guidelines." At the end of April, Sears was told by the White House to cut its prices. It was not obliged to, but it did.

But the retailing business' well-known problems could be precisely the reason for foreign takeover interest. Compared to stock market indices like the Standard and Poors 500, retailers' shares are still comparatively cheap. According to a study conducted by Loeb Rhoades Hornblower, the Wall Street investment firm, share prices for the major chains are close to or below the lows of 1974, while earnings are substantially higher than those achieved before the 1974-75 recession. The study also showed that the rate of return on these companies' shares was generally higher than the average of the Standards and Poors' 500.

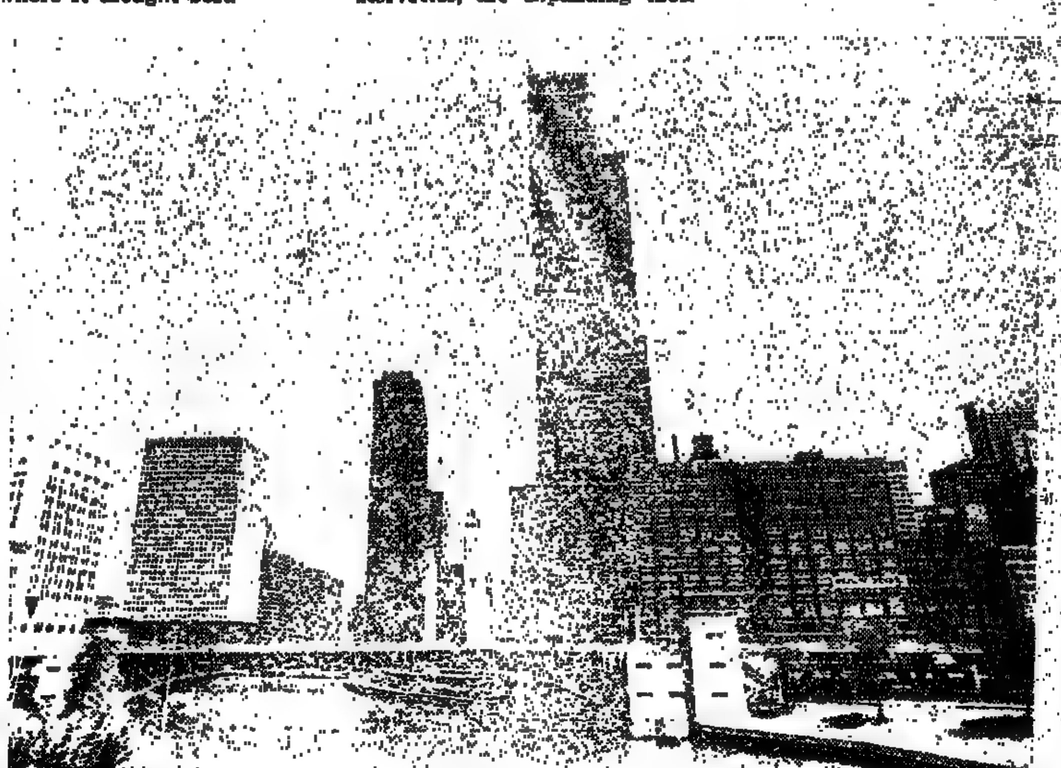
The purely financial case for investing in U.S. retailing emerges most clearly in the bid by Brascan, a company with no previous experience of retailing, but with several hundred millions of dollars to invest where it thought best.

Although Brascan has kept its comments on the bid to a minimum, it stated its reasons for selecting Woolworths in two letters to its shareholders. One was that it wanted "a large company with sufficient earnings and cash flow, and prospects for future growth." The other was that the acquisition of Woolworths would "position us in the stable consumer goods and merchandising industries."

The other bids have a common thread in that they come from aggressive, internationally-orientated retailing groups who are expanding not only in the U.S. but in other countries as well. Both Cavenham and Agache-Willot, purchasers of Korvettes, are expanding their operations in Europe. Tengelmann was slightly different. It had grown as far and as fast as it could in Germany and was poised to move abroad when the A and P opportunity came up.

Whether these deals will prove wise in the long run remains to be seen. Although successful retailers can frequently apply their systems to ailing companies and "turn them round," this is not always the case. British American Tobacco's foray into U.S. retailing in 1972, one of the earliest and largest of its kind, has yet to get properly off the ground despite a couple of major shake-ups.

J.W.



*The Chicago skyscraper (centre) of Sears Roebuck, one of America's biggest retailers*

### FOREIGN INVESTMENT: BANKS

# Powerful stimulus

EARLY LAST year Citibank, the largest commercial bank in New York, redesigned its branch at the corner of Fifth Avenue and Fifty-first Street. The branch, a cavernous tribute to the days when New York banks made handsome profits from their domestic business, was modernised and cut back a little in size to leave a fine corner site fronting on elegant Fifth Avenue to be let out to another business. It was occupied subsequently by the Bank of Ireland.

It would be going a little too far to say that America's major banks are moving aside to let the foreign competition in, but it is certainly true that foreign banks in the U.S. have become a powerful competitor and are one of the forces which have led large local banks to revamp their business strategies. Certainly, the banking sector is one where foreign investors are having a significant impact on a domestic industry.

There are many ways of measuring this. The assets of the foreign banks in the U.S. have been growing at around 30 per cent a year since 1972, when they were around \$20bn, until today they exceed \$100bn.

They have close on 300 offices in the U.S. (in New York alone there are 133 branches and agencies of foreign banks) most of them concentrated in three States of New York, California and Illinois. Most States still do not permit foreign banks to open branches.

This concentration has given the foreign banks a disproportionate competitive impact. The data is probably a little misleading and may overstate the case but it indicates that in both California and New York, for example, about one third of commercial loans are being made by foreign banks.

Moving beyond the statistics it becomes more difficult to assess how important foreign banks are in the U.S., but there are some indicators which are not widely disputed. There is no doubt, for example, that many foreign banks have been able to expand their U.S. business by cutting the price of loans and eating into the market of their U.S. competitors. The American banks can scarcely complain about this, they have done the same themselves overseas and more recently in the U.S.

The prime rate system for pricing loans in the U.S. has been undermined by the fierce competition among banks themselves for commercial loans and between the banks and the commercial paper market. The foreign banks have intensified this competition in search of business with U.S. companies. They have been better placed to secure the business of other foreign investors who have been moving into the U.S.

Another example of the impact which the foreign banks have had was the passage of the International Banking Act. While this was ostensibly designed to try to reduce some of the advantages which foreign banks enjoyed over their U.S. competitors, it began to accomplish this in two ways.

There was some reduction in the freedom the foreign banks enjoyed but there has also been some expansion of the powers of domestic U.S. banks in relation to their ability to open offices undertaking foreign business for U.S.-based corporations. The Act also required the White House to examine laws generally prohibiting U.S. banks from opening deposit-taking branches in more than one State. Action to change these laws could transform the face of U.S. banking. The foreign banks are thus helping to shape the regulatory environment in the U.S.

So far at least there has been little sign of political opposition gathering to oppose the growing strength of the foreign banks. The Federal Reserve Board earlier this year released a policy statement which aimed to try to reinforce the traditional U.S. attitude towards foreign investment in all but a few sensitive industries—broadcasting and the defence industry are two of these—namely that artificial restrictions should not be erected, or special privileges granted, to foreign investors. It gave practical support to the policy statement by approving the biggest ever proposed acquisitions of U.S. banks by foreign banks only two months ago.

But the Fed cannot make policy alone; in this area both the Congress and State regulators have a voice. At the moment there is little evidence that Congress is seriously worried—indeed last year's International Banking Act was broadly favourable to the foreign banks. State regulators may be another thing. Miss Muriel Siebert, the New York Bank Superintendent, has made no bones about her anxiety at a number of aspects of the foreign banking invasion of the city and the State. At the time of writing she still had to announce her decsion on whether to approve the biggest foreign bank acquisition of control of a U.S. bank.

Her decision on the Hongkong and Shanghai Banking Corporation's acquisition of control of Marine Midland Bank, a \$12bn institution, may give a better idea of just how much political opposition there is in New York to such transactions. Already some foreign bank executives fear that another wave of foreign takeovers—even where both parties favour the deal—could sour the atmosphere. The financial muscle of larger banks also makes them potentially, at least, a sensitive area for foreign investment.

S.F.

# Vogue for interest rate futures

TRADING IN financial futures (see accompanying guide) is still essentially in its infancy in the U.S., the only country where the practice is at all widespread. But its proponents claim it to be the country's fastest growing market, with everything going for it in the present uncertain economic climate.

Certainly the signs seem to point that way. The financial community's initial resistance to financial futures is waning. The volume of contracts traded and "open interest" or exposed positions continues to set new records for many instruments, and the auction price of exchange seats to deal in them has soared. There are even indications that the Treasury and the Federal Reserve Board will shirtly give them a cautious blessing.

Trading in financial futures started about four years ago in Chicago, centre of the country's vast commodity markets. The fact that it all began there rather than on Wall Street is no accident. Financial instruments are basically commodities where money is the item traded and the interest rate its price. But the Chicago link was unfortunate, particularly for Wall Street, where many people dismissed the new phenomenon as a gambling saloon run by grain dealers.

But by dint of much hard selling and education, particularly by the Chicago Board of Trade (CBOT), the largest commodity futures market, a growing number of financial institutions, securities dealers and plain speculators became aware of the possibilities. These are basically two-fold—hedging and arbitrage.

The hedging possibilities enable both an investor to take advantage of favourable movements in interest rates and a borrower to protect himself against unfavourable movements in cases where neither has complete freedom to time his entry into the market but knows what his needs are going to be.

Critics claim that hedging carries far greater risks than the financial futures' fans would have people believe, because there is no guarantee that interest rates will really move as the futures market suggests they will. But the markets' advocates claim that in today's climate of sharply fluctuating interest rates both borrowers and lenders can use the market to cushion themselves against big rises and falls, something they could not do before financial futures appeared except in the limited forward markets for bonds and currencies.

Chicago dealers report that the small and medium-sized banks were the first to come into the market, probably because they are more open to new ideas than the larger established institutions. But many bigger banks are now giving financial instruments futures a try.

Last year the number of contracts traded in GNMAs, a form of government-backed mortgage certificate which has become the most popular interest rate futures instrument, more than doubled to 953,000 on the CBOT. The number of contracts traded in commercial paper futures quadrupled to nearly 19,000, and dealings this year are running at an annual rate of over 50,000.

In fact Chicago's success has now reached the stage where other exchanges can no longer ignore it.

The New York Stock Exchange (NYSE), America's largest, has announced plans to trade in two interest rate futures and five currency futures. Dealings will be done in a special new trading room adjacent to the Stock Exchange's Broad Street premises. The NYSE hopes to start trading some time next year, but the precise timetable will depend on how quickly permission for these plans is forthcoming.

New York's Commodity Exchange (COMEX) has already filed applications to trade in four financial instrument futures and hopes to be in business by the end of this year.

Although permission for futures trading comes from the Commodity Futures Trading Commission (CFTC), the Washington watchdog of the commodity markets, the CFTC's attitude towards expansion of financial futures trading is strongly influenced by the Treasury and the Federal Reserve Board, both of which have expressed reservations in the past.

Their main concern is that futures trading in Treasury issues could distort the underlying cash market and make it difficult for the Treasury to sell securities other than those of a type, like one-year bills, which serve the futures market.

The Treasury and Fed have been conducting a joint study of this problem, and their report is in the final stages of preparation. It is believed, however, it will give a cautious nod to financial instrument futures while possibly recommending some new rules making it easier for the Treasury to sell its securities.

D.L.

### WHO TRADES WHAT AND WHERE

| Exchange | Already traded | Proposed |
|---|---|---|
| Chicago Board of Trade | GNMAs*; Treasury bonds of 15 years and over; 90-day commercial paper. | 4-6 year Treasury notes; 2½ to 3-month Euro-dollar Certificates of Deposit (CDs); 30-day commercial paper. |
| Chicago Mercantile Exchange | 90-day Treasury bills; 1-year Treasury bills | 30-60 day Treasury bills; Eurodollar CDs. |
| New York Stock Exchange | None | 90-day Treasury bills; 20-year Treasury bonds. |
| New York Commodity Exchange | None | 3-month Treasury bills; 1-year Treasury bills; 2-year Treasury notes; GNMAs. |

* Mortgage-backed certificates issued by the General National Mortgage Association carrying "the full faith and credit" of the U.S. Known as Ginnie Maes.

## A Plain Man's Guide

**What are they?** An interest rate futures contract is an agreement to buy or sell at some future date a given financial instrument like a bond, Treasury bill or mortgage certificate for a given price. This price is normally expressed as a percentage of the face value of the instrument, the difference between the price and face value representing the discount or interest rate.

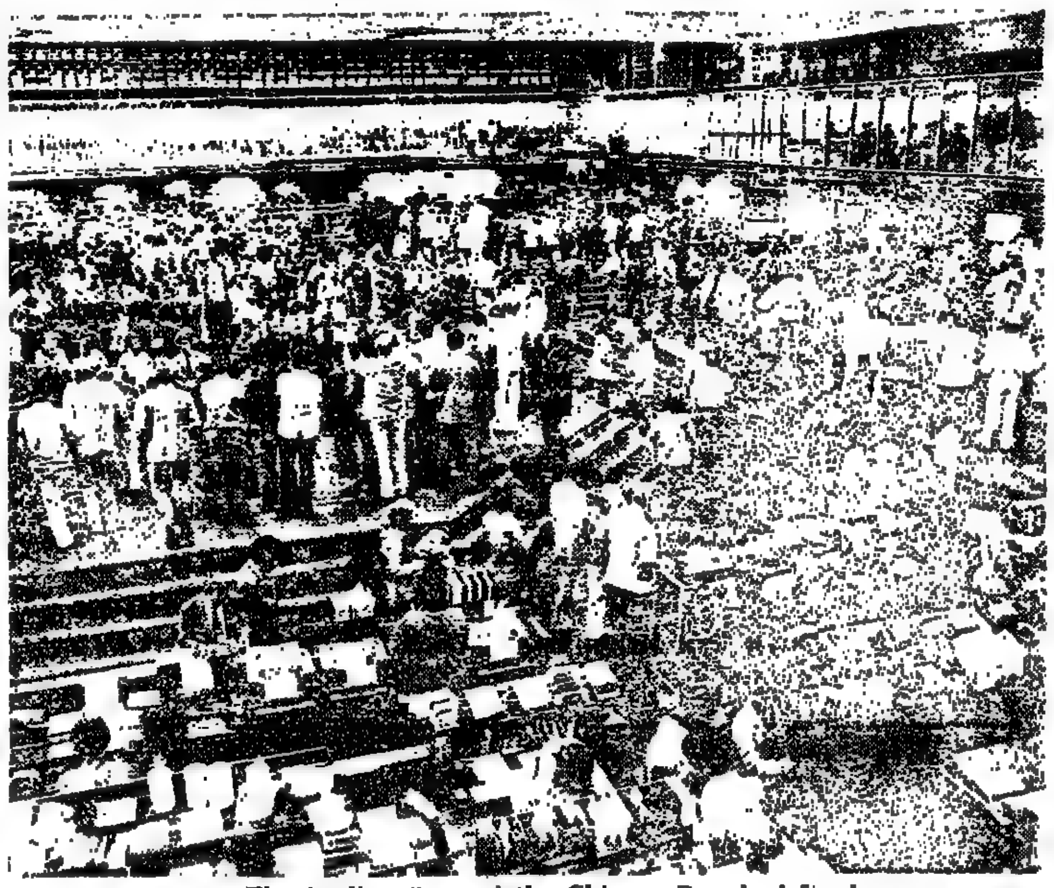
**Where are they traded?** At the moment only on the Chicago commodity markets, where they are traded like commodity futures in contracts of set amounts for delivery anything up to two years ahead. They are best understood in terms of commodities: money is the commodity and the interest on it its price.

**What use are they?** They enable an investor or borrower to hedge against changes in interest rates. But rapidly growing number of speculators use the market for arbitrage.

**How do they work?** Although the price of a given financial instrument future varies by month of delivery, these prices move in line with current interest rates, tempered by how the market sees rate developing. Payment on a futures contract is not made until delivery, but the parties to a contract put up a performance bond equal to a small fraction of its value. Since over 90 per cent of futures deals are speculative and are cancelled before delivery by reverse deals, a huge volume of futures trading takes place on the basis of a very small investment.

**The "Long" Hedge:** A money manager knows on June 1 that on September 1 he will have investment funds of $1m to put into Treasury bonds, but he fears interest rates might weaken in the meantime. In order to "lock in" to current yields, he buys Treasury bond futures on the spot. If rates do weaken, the value of these futures will rise and he sells them in September at a profit which offsets the higher cost of the $1m of Treasury bonds he is now ready to buy. But if rates strengthen, the value of his futures drops. He sells at a loss. On the other hand, the yield on Treasury bonds will be higher when he comes to invest his $1m.

**The "Short" Hedge:** In December a portfolio manager who anticipates selling $10m of Treasury bills in January, but fears that interest rates will go up in the meantime, sells March futures contracts for a like amount. If rates do go up, the value of these futures will decline and he will be able to square his position in January at a profit which will offset his loss on the sale of his Treasury bills. If rates go down, the futures will gain in value and he will have to square his position at a loss. On the other hand, he will obtain more from the sale of his Treasury bills.



The trading floor of the Chicago Board of Trade

FOREIGN INVESTMENT: MOTORS

# A growing challenge to Detroit

NO OTHER single U.S. industry has seen a greater concentration of foreign investment activity in the past year than motor manufacturing.

While American car companies have been part of the European landscape for more than 50 years, the U.S. seemed, until the 1970s, an inviolable preserve of the giants of Detroit who were content to let foreign manufacturers take a share of the small car market, while retaining upwards of 90 per cent of all sales for themselves.

Foreign companies, it appeared, had little more to offer apart from a few small models or specialist sports cars.

Now it seems they have designs of both cars and diesel-engined trucks whose hour has come in an energy-conscious U.S. Three years ago, Congress insisted that Detroit build more fuel-efficient cars and wrote a very specific timetable for their introduction.

But the first quarter of 1979 may well be seen, in retrospect, as the time when the preoccupations of the American car-buyer became really congruent with those of his congressman.

Harried by possible and actual shortages of gasolene and sharp increases in fuel prices because of the Iranian crisis, the American consumer decided in March that he must have more fuel efficiency and he bought foreign cars in such numbers that overseas manufacturers took a rare 22 per cent of the U.S. market.

But General Motors' introduction, in April, of a line of brand new front wheel drive small cars was proof (if any was needed) that Detroit is not going to surrender the market to imports. Yet in trying to respond to this new challenge from Detroit, some importers have a great deal more than consumer tastes and rival designs to worry about. The steep appreciation of the yen against the dollar added more than 20 per cent to the cost of a Japanese car in the U.S. last year which, in turn, sharply increased the debates in Toyota and Nissan whether they should establish an assembly operation in America.

The example they might wish to follow, and the one they are studying most closely, is, of course, the new Volkswagen of America plant in Pennsylvania. Designed and built at a cost of $300m in just two years, the VW plant at New Stanton produced its first car for sale on April 10 last year and, in 1978, manufactured a total of 42,000 versions of the Rabbit, which is known in Europe as the Golf.

### Shelter

Employing just under 5,000 people and already producing at close to its full capacity of 200,000 units a year, the New Stanton plant looks likely to justify VW's confidence by giving the company much better shelter from the vagaries of currency changes and by giving it all of the flexibility derived from producing in its market.

But these advantages do not all come at once—the Rabbit has already been raised in price twice this year because of higher production costs and "continuing unfavourable international exchange rates."

The U.S. operations are expected to run at a loss until 1981, but the Rabbit's dependence on imported components should be reduced to about 25 per cent by the end of this year and this will steadily reduce the impact of currency changes.

The only slight question mark against the Pennsylvania plant, and it is one which concerns the Japanese as they ponder similar investments, is its labour relations. The first three-year contract between the company and the United Auto Workers' Union was rejected by the rank and file last October and was followed by a week-long shut-down.

Although a revised settlement was subsequently agreed, the plant was again briefly closed by a stoppage in January and a strike threat was issued, but averted in March.

Mercedes-Benz, somewhat pointedly, does not intend to hire union labour when it opens its first U.S. truck assembly plant at Hampton, Virginia, next year. With a capacity of 6,000 trucks a year, this $6m investment is merely one element in a patchwork of European plans for penetrating the U.S. market for medium duty diesel engined trucks.

From a base of about 8 per cent of the market last year, diesel-engined trucks are expected to capture at least 33 per cent or some 70,000 units by 1986.

But with the exception of Mercedes, which already has one, and of Iveco (the Fiat-KHD joint venture which is slowly assembling one), other European truck producers are lacking an established dealer network. But this requirement has fitted in with the need of at least two U.S. companies for a medium duty diesel truck design and this has led Mack Trucks, of Pennsylvania, and White Motor of Ohio to acquire European shareholders.

Renault's truck manufacturing subsidiary, RVI, is taking a 20 per cent stake in Mack Trucks, whose parent, the Signal companies, will retain control. Apart from helping to raise additional capital, selling a stake to Renault is designed to ensure that there is no question of the French company successfully marketing its trucks through Mack dealers and then withdrawing from the agreement once it was satisfied it could retain the dealers without the Mack connection.

White Motor's experience with another U.S. truck manufacturer, Freightliner, was an influence and may also have been a factor leading to White's sale of 50 per cent of its equity to Maschinenfabrik-Augsburg-Nurnberg (MAN). Again, MAN has a diesel truck which White needs for its product range while White has a good dealer network through which it used to distribute Freightliner trucks until last year.

Both Mack and White have production capacity which could ultimately be used by their European partners once their sales build up to sufficient volumes to justify the investment.

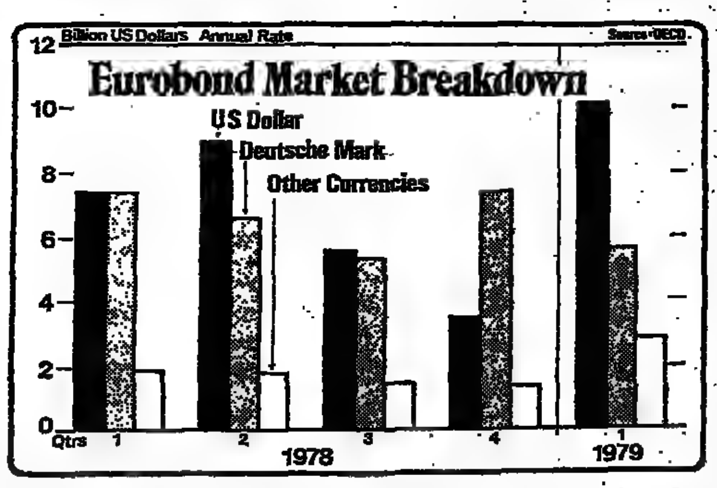
J.W.

# Offshore appeal of the Eurobond

THE SIGNIFICANCE of the Eurobond for the U.S. capital market must be looked at from three different points of view. There is its significance for the U.S. borrower, for whom it represents an alternative source of long-term capital. There is the potential interest of the U.S. investor, for whom it represents a non-U.S. investment option, either in dollars or in other currencies. Finally there is the interest of the U.S. banking community in participating in this business and, in particular, in being able to satisfy the international financing and investment demands of its U.S. clientele.

One of the most important developments in the Eurobond market this decade is that it has become increasingly a multi-currency market. After the collapse of the Bretton Woods system it has become more important for both borrowers and investors to be able to borrow/lend other currencies than the dollar, both in order to benefit from low/high interest rates and in order to reduce currency exposure.

So what was primarily a dollar market in the 1960s has now embraced the Deutsche Mark, the Swiss franc, the yen, and other European and Middle Eastern currencies in the 1970s. Some of these markets are not strictly Euromarkets—they are really foreign bond markets, equivalent to America's "yankee" market—but they amount to much the same thing in American eyes; an alternative to Wall Street.




## Taps

The U.S. corporate borrower taps the non-dollar and the dollar portions of the Eurobond market for rather different reasons. He cannot float a Swiss franc bond on Wall Street—The U.S. investor is not yet sufficiently currency orientated and the Swiss National Bank would be loath to see it happen—so if, for reasons of currency-matching or interest rate, such a borrower chooses to raise Swiss francs he must accept the Swiss banking cartel's terms, which will include a flotation cost of up to 4 per cent.

The U.S. borrower's motive for tapping the offshore dollar market, however, is bound up with terms, cost and convenience—all relative to the U.S. market—together with other less tangible considerations such as "acquiring a name abroad" and "diversifying sources of finance."

The initial rise of the Eurobond market was commonly attributed to the imposition of interest equalisation tax in 1964. This was designed to stem the outflow of dollars by making it more expensive for overseas borrowers to tap the U.S. capital markets. Yet when IET was abandoned in the early 1970s, the Eurodollar bond market did not fade away.

It seems that the unregulated nature of the Eurodollar market has preserved its appeal. The fact that Eurobonds are bearer bonds, the fact that issues can be made without having to go through the lengthy registration procedures of the Securities and Exchange Commission; the fact that funds invested in the Euromarkets remain beyond the reach of any future U.S. capital controls—all these have helped keep the dollar sector of the Eurodollar bond market viable.

Apart from the borrower's natural instinct that he can get better terms by spreading his paper around, it would appear that flexibility is one quality that draws the U.S. borrower to the Euromarket. He is probably well able to register a U.S. domestic issue with the SEC without too much labour, but the time this takes may preclude a sudden decision to exploit a temporary improvement in conditions in the long-term dollar market. This speed of access has certainly been a plus point for the Euromarket in the recent uncertain period for the dollar and for dollar interest rates.

As far as cost goes it would seem safe to conclude that over the maturity range of 5-15 years there is not much in it between New York and London. With sophisticated borrowers tapping both markets, sometimes simultaneously, it would be strange if there were. This seems odd at first sight because the scale of fees for the Eurobond market is greater than that for the domestic dollar bond market. But first there are other compensating factors; second, the terms of Euro-issues are not what they seem; and third the terms of Euro-issues are different, in practice though not in theory, for different types of investor.

Fees first: the fee in New York for a high grade borrower is about 0.875 per cent, all found, of the value of its issue, of which the fee to the selling group accounts for 0.5 per cent. This compares with a fee of 2-2.5 per cent in the Eurobond market, of which up to 1.5 per cent goes to the selling group.

Offsetting this is the fact that the cost of paperwork and registration in New York is much higher than it is in the international market. Also the coupon payment on a Eurobond is due only once a year instead of six monthly as in New York. The value to the borrower of this de facto delay in the flow of interest payments is a running interest rate bonus of about ¼ per cent in a 10 per cent environment.

Even so, the main corrective influence at work is probably the fact that the banks are seldom getting the fee which the figures suggest because they are forced to sell bonds at a substatnial discount to institutional investors in the Eurobond market. The manner in which this happens cannot be detailed here, but the underlying problem is that whereas U.S. bonds are priced very close to what the market will really stand, and whereas Wall Street underwriters and selling groups are forbidden to place their bonds at anything but the offer price, this is not the case in the Euromarket. Eurobonds are priced somewhat more optimistically, and there is in effect no retail price maintenance because, with bearer bonds, this would be practically impossible to enforce.

Institutional investors and borrowers view this situation rather differently. The former now regard it as their right—a "bulk discount" leading to a price which has a chance of being sustained in the after market. Borrowers think that their bonds are being sold cheap: if bankers are willing to see their cut reduced, they argue, borrowers should get a slice of the benefit.

The only certainty is that investors with less clout get a poor deal. They buy the Eurobond at the issue price, or have it bought for them, and are almost certain to see even the most successful issues go to an immediate discount in the secondary market.

For this reason it is perhaps fortunate that the majority of U.S. investors cannot be sold Eurobonds in the primary market. Americans can buy Eurobonds in the secondary market provided that the primary distribution is complete. This is a rather difficult moment to establish in a market where banks are often left with the remnants of past underwriting. The securities industry gets round this by allowing an adequate period of time to elapse between issue and secondary market sale—a period that is laid down in tacit agreements with the SEC.

The only way round the ban on the primary distribution in the U.S. of unregistered securities is by means of a private placement. Strictly speaking these may only involve "sophisticated" U.S. investors.

These regulatory factors have undoubtedly hindered attempts to sell Eurobonds to U.S. investors. But a growing awareness in the U.S. that the dollar is not everything has led to the establishment of some international bond funds in the U.S. There has also been a rush of European investment banks to Wall Street in search of pension and insurance funds which might seek to "diversify" away from the dollar.

## Spur

The rapid rise of the Eurocurrency market, and the Eurobond sector of it, together with the internationalisation of this market already touched upon, have visibly acted as a spur to get U.S. banks and investment banks into the game. It is significant that 1978, which was a downbeat year for the dollar's share of the international bond market saw a conspicuous number of new arrivals. Among the U.S. banks which have recently increased their Eurobond market activities are Bankers Trust International, Amex Bank, Bank of America, Chemical Bank International, Blyth Eastman Dillon and Kuhn Loeb Lehman, and, soon, Morgan Guaranty.

American banks have chosen a variety of routes to get involved—joint ventures, consortium banks and merchant banking subsidiaries—but it now seems to be fashionable to set up one's own operation. One interesting aspect of this trend is that a mingling of investment banking and commercial banking by U.S. banks is taking place in Europe which is still not allowed to occur in the U.S. The big American commercial banks are already notably active as issue managers: Merrill Lynch is a rare example of an investment bank heading in the other direction.

So, quite apart from building up capital raising and fund management expertise in currencies other than the dollar, it looks as though U.S. banks are also building up skills in the Eurobond markets which they may one day be able to deploy on Wall Street.

**Nicholas Colchester**

# Domestic bond prices

AS USUAL when the interest rate cycle approaches its peak, the market for fixed income securities is in a state of some excitement, watching for the moment when the cycle actually turns.

But although this is a phenomenon which happens with fairly predictable regularity every four to five years, the process this time round has been particularly drawn out, posing investors with a severe test of patience and borrowers with some tricky tactical problems. There is also a growing feeling in the market that even if interest rates peak in the coming months, as most people expect them to, the downturn may not be as clear-cut as before because of deep changes in financial habits brought about by inflation.

BOND YIELDS
(per cent.)

| Type | Previous peak | Date | Yields on April 30 |
|---|---|---|---|
| Long-term Government | 7.33 | Aug. 1974 | 9.24 |
| Municipal | 7.07 | Jan. 1975 | 8.80 |
| AAA Utility (New Issue) | 10.38 | Sept. 1974 | 9.75 |
| Bell System | 10.05 | Sept. 1974 | 9.57 |

It is now over four years since yields in the bond market peaked in the second half of 1974, and just over two years since they bottomed out at the beginning of 1977. However the run-up to the current peak has been a lot shallower than in the two previous cycles. And although many authoritative economists have been warning that interest rates will not top out until the second half of this year, there have been several false alarms since last autumn for understandable reasons, each spurring the bond market into short-lived rallies before the truth emerged.

One reason was the relative stability of the Fed funds market in the first quarter of this year. Although this mainly influences the short-term market, it is a closely watched indicator for the credit markets as a whole. After a steep rise in the second half of 1978 spurred by the Fed's tight money policy, the key Fed funds rate remained at around 10 per cent for over four monhts. During that time, many large banks cut their prime rates for a while, adding to the impression that the credit markets had stabilised.

The unwillingness of borrowers to commit themselves to the long-term market just before the rates drop also put pressure on the short-term market, producing the inverted yield curve which many economists hold to be the herald of a recession. But this time, the herald arrived a little early, and the economy kept booming.

By the end of April, the combined pressures of high inflation (by then running at an annual rate of 13 per cent), and strong demand for credit due to the unusually high level of economic activity brought a change in Fed policy. Interest rates were jacked up again, and bond prices slipped a bit further.

## Mood

But the market's mood had hardened a little. Far from recoiling at the thought of tighter credit because of the depressing impact it has on bond prices, it almost welcomed a tougher monetary policy because of the need to put a brake on economic activity and restrain the high level of borrowing.

Today, key rates are still below 1974 peaks in corporate and municipal bonds. Only Treasury bonds have so far set new records owing to the very high level of Government borrowing. But because of the persistence of inflation despite Mr. Carter's wage and price guidelines, there is less debate in the market now as to whether rates have peaked and a growing consensus that the top of the cycle is still some way off.

In fact, trends increasingly favour prognoses like that put out by Salomon Brothers in December (and greeted with some scepticism at the time) that interest rates will not peak until the latter half of the year, by which time the prime rate will have topped 13 per cent (it is currently split at 11½-11¾) and new triple A utility bonds will carry yields of 10-11 per cent (currently 9.75 per cent). Most key rates, Salomons said, would exceed their 1974 highs.

Salomon's rationale was that the economy would generate a very moderate rate of real growth but high inflation. Consequently credit demands will be high, mainly from the household and Government sectors. Against this, the amount of new savings will be small, and monetary policy will be tightened. Result, higher interest rates.

As it turns out, economic growth is better than moderate, but this has only stimulated credit demand from the corporate sector and added to the pressure behind interest rates.

The longer the market's peak is delayed, the more problematical it becomes for corporate treasurers. Although many have little choice but to issue long-term debt in present market conditions, they are turning where they can to short-term sources of funds, such as commercial paper and certificates of deposit. Short-term borrowings reached $17.2bn by mid-April, compared to $10.1bn in the same period last year.

On the other side of the market, the investor anxious to lock in to maximum yields is keeping his funds liquid or placing them in money market instruments with short lives and high yields.

When the market finally does turn, past experience indicates that bond prices will rise rapidly as investors hurry to obtain the maximum yields and economic recession weakens demand for credit. However, some economists believe that things could turn out differently in today's inflationary environment.

One reason is that bonds are no longer the attractive long-term investment they used to be. Their yields are no better than average: in fact they are currently falling behind their historic real rate of return of about 2½ per cent. Also, they offer virtually no scope for capital appreciation if held for more than a few years. In fact inflation is a guarantee that their real value will decline.

For this reason, bonds are increasingly seen as a speculative rather than safe investment—as securities to be bought at the top of the interest rate cycle and sold at the bottom.

The continuing strength of demand for bonds can be explained partly by long-standing investment habits, and partly by the lack of alternatives so long as stocks remain undervalued. Anothe reason is the fact that institutional investors like insurance companies and pension funds, who meet their future obligations in depreciating dollars, are less concerned with real capital growth and therefore see in bonds a useful and ready home for their funds.

Other technical factors could come into play after the peak and prevent bond prices from rising as fast as they might. Businesses may find themselves with bulging inventories to finance just as their profits are declining. Similarly, consumers may have to borrow to offset stagnant earnings.

The strongest market depressant, though, will be inflation. Even if current economic economic activity peaks by midsummer, few people expect price rises to abate significantly this year. In fact, there are several in-built guarantees that costs will go up, like the gradual deregulation of oil prices. The biggest point in the bond market's favour is that the uncertainty of the economic outlook probably makes it a better investment prospect than the stock market.

**D.L.**

# Equities market lacks direction

U.S. EQUITIES are a puzzle. For more than two years the market for secondary stocks has been extremely strong, but for blue chips and top industrials weak, although the period has seen an impressive growth in corporate earnings.

Individuals have been net buyers of stocks for the first time in many years, while institutions are committing a shrinking portion of their new funds to equities. Encouraged by the weak dollar, foreign investors have done more at times to keep the market on its feet than domestic investors whose behaviour reminds one of shoals of fish responding as one to every minute change of current or water temperature.

Thus the market for equities tends to lack direction and even less predictability than many would wish because the factors which cause the swings in investor behaviour seem to change almost from week to week. One generalisation that does appear to hold good is that economic confidence in the U.S., as expressed through equity ownership, has not recovered from the shocks of the 1974-75 recession and that as a result investors are not disposed to take undue risks.

The corollary of this is that a much greater premium is now attached to current yield from stocks than was the case a few years ago, when price earnings multiples of 20 or more were not uncommon. For example, the current median price earnings ratio on all stocks covered by the value line investment survey is now 7.1 compared to a market high in 1968 of 19, the median yield is 4.9 per cent as against 2.7 per cent in 1968.

Virtually all yield adjustment has been achieved through a lowering of multiples, since corporate pay-out ratios have been in the 40 to 45 per cent range for most of the period.

*The key factor in this relative* cheapening of equities has been the steady withdrawal from equities by the institutions, particularly pension funds. Stocks have been snubbed for a combination of reasons including *disenchantment* with the market's performance over the past 13 years, and rising interest rates on short-term money market instruments and long-term corporate and government bonds.

## Diversity

Lastly, the Employee Retirement Income Security Act of 1975, which requires them to meet standards of prudent behaviour, has greatly encouraged pension funds to diversify their portfolios. In the past three years this has tended to strengthen the move out of equities, so that whereas in 1973 pension funds had about 73 per cent of their assets in ordinary *shares, by the end of last year* the proportion was only 50 per cent. There has been a concomitant sharp reduction in the commitment of new funds to equities, down from more than 100 per cent in the 1972-73 *period to 8½ per cent in 1978.*

Institutional diversification has been only one factor, however, behind the bull market in the smaller and lower capitalised secondary stocks. Since it fell back from its 1978 peak of 907.74 the Dow Jones Industrial average has not looked very likely to crest 900 again. The American Stock Exchange index, however, the leading indicator for secondary stocks, has comfortably cleared its 1978 high of 176.87 in the first quarter of 1979, in a move seen as a continuing recovery from the collapse of the secondary market between 1968 and 1974.

Some argue that because the flow of institutional money has been cut down to a relative trickle, the equity market's *liquidity has been damaged and* that this is a factor behind the growing volatility which has marked the past two years. Ten point daily swings or more in the Dow Jones Industrial average have become commonplace and last November saw a 35.34 gain in one day after President Carter had unveiled the dollar support package.

Yet the trading tempo was extraordinarily upbeat last year, with average daily trading volume climbing from 20.59m *shares to 28.59m in reflection of* notably heavy institutional trading. But a lot of this activity was devoted to upgrading portfolios in the rising market of last spring and summer; in the final quarter of the year institutions were solid net sellers of equity.

An attempt to predict the possible movement of equity values over the next few months would be *foolish*—even the highly paid gurus of Wall Street with a professional responsibility for forecasting are extremely guarded. At the moment few see any good reason for a steep fall in share values, but not many would nail their colours to the mast of a bull market.

During much of 1978 investors were guarded about equity ownership, partly because the recovery from the 1974-75 recession was becoming extremely long in the tooth and historical averages had decreed an economic downturn after about 33 months from early 1976. *The same expectations* have overhung the market in 1979 and while sharp increases in corporate profits in the first quarter of 1979 against the first quarter of 1978 have been a *fortifying factor, there seems* little chance of a real change in market psychology until there is clear evidence that interest rates have peaked.

On this front there have already been a couple of false *dawns, notably in the summer* of last year and in the first quarter of 1979. They were false to the extent that a number of private economists and even the chairman of the Federal Reserve Board, Mr. G. William Miller, had raised expectations that short-term rates were at or close to their peak in this business cycle. But rising inflation, coupled with the problems of the dollar and an unexpectedly strong economy, have brought repeated disappointment to those predicting lower rates.

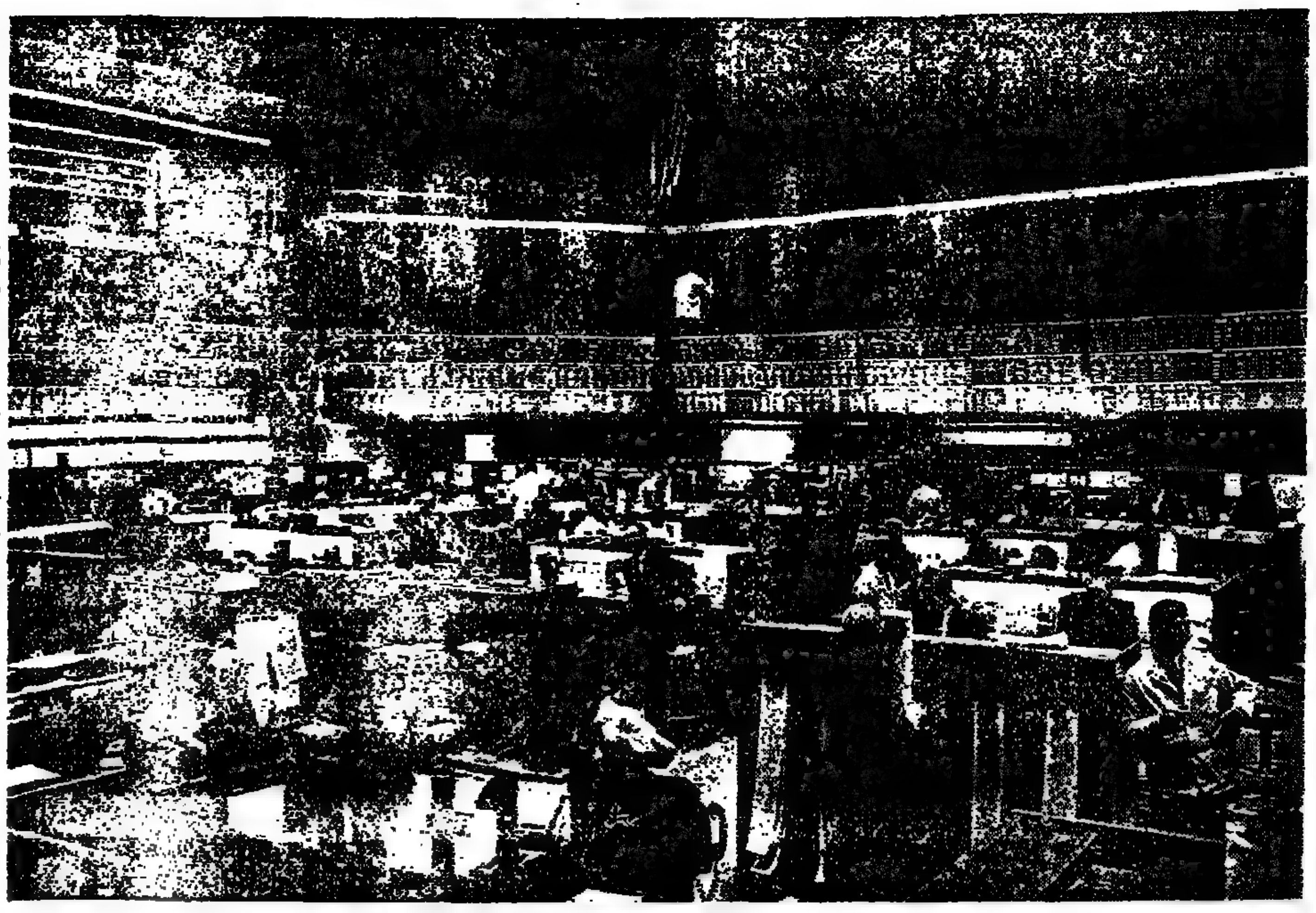
The year opened with a Fed funds rate of 6.5 per cent and closed with a rate of 10 per cent; and although the first three months of 1979 saw a rare period of stability and even weakness in short rates, late April saw indications of a further round of increases. In the spring of [illegible] implies a mediocre market for [illegible] 1980.

If this proves the case, then corporations will continue to be reluctant to look to equity capital as a source of new funds. [illegible] total new issues of common and preferred stock by U.S. corporations in 1978 [illegible] roughly the same as [illegible] there were [illegible] declines in a [illegible] which were offset in the aggregate by a doubling [illegible] from financial and property corporations.

According to figures compiled by Salomon Brothers, the [illegible] of equity issued by public utilities last year was the lowest since 1971 [illegible] the $1bn from the manufacturing sector. Net issues, after adjustments for conversion of bonds, cash retirements, stock options and all other sales, amounted to $6.7bn. This was somewhat higher than the $4.2bn of 1977 but significantly lower than the $9.1bn of 1975, the $10.4bn of 1973 and the $10.2bn of 1976.

Indeed the distinct impression of the last few months is that a good many corporations are bent on buying back a proportion of their outstanding stock rather than issuing new equity. From Sears Roebuck to Ashland Oil, from Levi Strauss to Union Oil, companies are anxious to add to holdings in corporate treasuries for a variety of reasons ranging from a desire to underpin the market price to the need to supply stock to employee profit sharing schemes or to have stock available for merger agreements.

**J.W.**



*The trading floor of the Pacific Coast Stock Exchange in San Francisco, California*

# Insurance exchange raises questions

ONE OF New York's more unusual investment opportunities has just rumbled into first gear—the new insurance exchange. Last week, advertisements began appearing in the U.S. Press inviting companies and individuals, and other interested investors, to apply to join by July 9.

Investors are being asked in fact, to buy something of a pig in a poke. The proposed exchange has no premises and no opening date, though it hopes to be in business by the end of 1979. The tax position of people who invest in it has not been clarified, and Washington agencies, such as the SEC and the Justice Department have not yet explicitly approved it.

This is not to say that the proposed exchange—touted as New York's challenge to Lloyd's—is doomed to become the non-starter of the year. But at the moment it raises more questions than it answers.

## Reality

Even so, many things are working in its favour. And Mr. Maurice Greenberg, chairman of its initial board of governors and president of American International Group (one of the largest U.S. insurance companies), says he has "no doubts" that the exchange will become a reality.

The exchange has the backing of most leading figures in the New York insurance community, including underwriters, brokers and regulators. Local political pressure for it is also strong since, if successful, it could create thousands of jobs and it is hoped draw back into the city the large chunk of insurance business which fled to more hospitable states.

There is also a certain logic behind the plan. At the moment, New York insurance claim, the U.S. produces about 50 per cent of the world's premiums each year. Yet most of this business is immediately exported to Lloyd's of London. So it makes sense the argument goes to handle it locally.

This argument is somewhat specious since insurance is a world market to which the exchanges are little more than entry points. Already, a large chunk of Lloyd's business finds its way back to the U.S., via re-insurance. But New York *sees no reason why it should* not develop an entry point of its own.

As constituted, the exchange would be broadly similar to Lloyd's. It will have a central trading floor on which *syndicates will do business.* But there are also big differences.

The main one is liability. Unlike Lloyd's, members will only be liable for the capital they put up: $3.6m for property/casualty insurance slightly more to do life insurance, too.

The other is membership itself. The exchange will be open to corporate as well as individual members from the U.S. and abroad. Both these departures from the Lloyd's *model were made to render the* exchange more attractive to outside investment, this being an important aim of the project.

New York also hopes to learn from what it sees to be Lloyd's shortcomings. There is to be a *firm distinction between* brokers and underwriters. Brokers may manage a syndicate, but not own more than 19.9 per cent of it. Similarly there are to be curbs on underwriters' encroachment into broking.

The governing Board will also keep a close watch on syndicates' commitments to prevent them over-extending themselves. Each underwriting member will have to contribute $500,000 initially to a *security fund* to guard against insolvency of members. Additional contributions may be levied from premiums.

The exchange is authorised to write re-insurance and direct insurance of excess lines, or business rejected by local insurers; and foreign risks. Most of its business in its early days is expected to come from re-insurance.

Many big insurance companies and brokers, including some from Lloyds, have announced their intention to participate but it is still not clear how big the exchange will be at its opening. Mr. Greenberg says he hopes for 20 to 30 syndicates generating more than $100m in new capital within 18 months to two years.

## Aim

Others have indicated an opening premium business of about $200m a year. This is tiny *compared to Lloyd's, but Mr.* Greenberg claims "the insurance business is a long-term business. Lloyds has taken 300 years to get where it is. We aim to beat that record."

Several questions must be answered in the coming months, though. On tax, the Internal Revenue Service has yet to rule how exchange members will be assessed. Will the syndicates be taxed as corporations or as individuals? If the former, will proceeds be taxed twice, like dividends? For many potential investors this question is crucial.

There are also uncertainties about how the exchange will fit into present securities and anti-trust laws. Could the *exchange expose itself to* charges that it is operating a cartel, or that it exerts a dominant and unhealthy influence on the insurance market?

Another worry is that the exchange is being launched just as the *insurance industry* is entering one of its periodic downturns. Critics argue that the exchange cannot hope to make headway in a declining market. But its supporters contend that this lull will enable *it to gain the experience* and get organised to profit fully from the upturn which is expected in a couple of years' time.

Although the exchange is theoretically open to all investors, capital in the early stages is expected to come from the insurance business, meaning that there will not no net gains, only a shift in resources from one area to another.

*Later, though,* as the returns to be made become clearer, advocates hope to attract new capital from outside the insurance community, producing a net gain. Once this happens, the exchange can be said to *have got off the ground.*

**D.L.**

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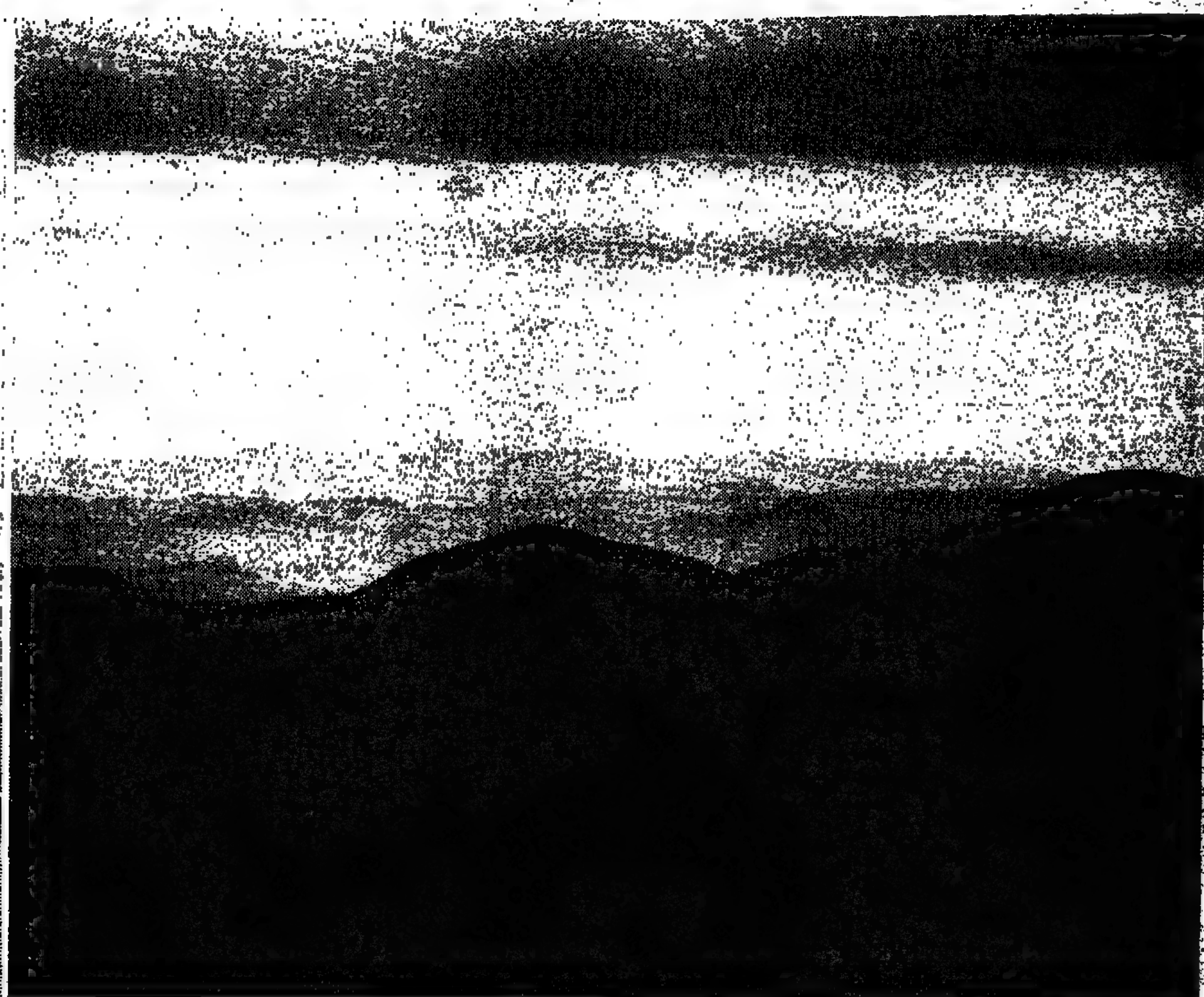

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MRS THATCHER'S CABINET

BY MALCOLM RUTHERFORD, Political Editor

# Shepherded by Lords

THE MOST striking fact about Mrs. Thatcher's first Cabinet is the strength of what one might call its external wing. It is not so much the number of Lords included, though that too is remarkable in itself. It is rather that every single Cabinet Minister who has to do with external policy in any way is a heavyweight.

The crucial appointment was clearly that of Lord Carrington at the Foreign Office. Lord Carrington is said simply to have insisted that that was the job he wanted, and he had the standing in the Party, and in the eyes of Mrs. Thatcher, to get it. That was why Mr. Francis Pym, who had been shadowing foreign affairs in the past few months, was given defence. It was the next best thing. Mr. Pym's appointment illustrates the same point: the heavyweights have gone to external policy.

## Other ways

The point can be made in other ways. The choice of Lord Soames as Lord President of the Council will add to the Cabinet's external vision. Lord Soames is a former Minister of Agriculture, a former Ambassador to Paris and a former Brussels Commissioner for external affairs. He is a total opponent of "little England."

Similarly, the appointment of Mr. Peter Walker as Minister of Agriculture brings back someone with considerable standing both in the Party and in the country. Mr. Walker began his political life as a strong Empire man. He was a relatively late convert to Europe. But there can be no doubt about his Europeanism now, nor about his commitment to a wider world and his concern with such issues as the north-south dialogue. Agriculture is now, at least in part, a foreign policy post. There can be few clearer signs that a change in attitude is under way in this respect from that of the outgoing government.

The significance of these appointments goes beyond the specific titles. The system of Cabinet Committees means that the influence of Lord Soames and Lord Carrington, Mr. Pym and Mr. Walker will extend throughout government. What is more, not only are they all heavyweights; they are also all liberals.

Indeed it is the exceptionally liberal nature of Lord Carrington's views on Southern Africa that makes his appointment surprising. The new Foreign Secretary is unlikely to have much truck with Mr. Ian Smith's vision of Rhodesia. That could lead to problems within the Conservative Party and even with the Prime Minister herself. But one can only assume that Mrs. Thatcher went into this with her eyes wide open.

The liberal inclination is reflected almost throughout the Foreign Office appointments. Sir Ian Gilmour, who will speak for Lord Carrington in the House of Commons, is a liberal through and through. Mr. Neil Marten may be best known for his opposition to British membership of the European Communities, but his main role will be overseas development, which is now being brought back under the Foreign Office wing. On this subject he is a liberal and an internationalist. He is also opposed to reaching a deal with Rhodesia that would be frowned on by the Commonwealth.

The exception is Mr. Nicholas Ridley, a close supporters of Mrs. Thatcher, whom everybody expected to be given a job somewhere. The reason why be has ended up at the Foreign Office seems to be that in the end the jigsaw didn't quite fit. He could, however, be despatched to the UN Conference on Trade and Development (UNCTAD) in Manila, a responsibility which the Foreign Office recently took back from the Department of Trade.

## Conclusion

The conclusion one draws from all this is that British external policy under Mrs. Thatcher is likely to be considerably more active than it has been for man years. It will be internationalist, European and Atlanticist all at the same time. There is every reason to believe that the decision to upgrade foreign policy in this way was a deliberate one.

There is one other aspect of Mrs. Thatcher's team that commands attention, both because the appointments are relatively liberal and because the show a certain amount of flair. Mr. William Whitelaw, as Home Secretary, has two notably able Ministers of State — Mr. Timothy Raison, the former editor of New Society, and Mr. Leon Brittan, the young lawyer. One only has to recall the later period of Mr. Harold Macmillan to realise how much harm can be done to a government's reputation by a Home Office that is functioning badly. Mrs. Thatcher in that sense seems to have made a good start.

The same goes for the appointment of Mr. Norman St. John-Stevas as Leader of the House and Minister for the Arts. It says something about the Government's style. Clearly the arts are intended to flourish.

The Treasury team, though not unexpericed, has obviously been carefully chosen. There is no shortage of men with knives. The task of Mr. John Biffen as

Freddie Mansfield

Lord Carrington—a Cabinet with strong external vision.

Chief Secretay and of Mr. Nigel Lawson as Financial Secretary is plainly to pare expenditure. Both men are close to Mrs. Thatcher—Mr. Biffen, indeed, must have been eligible for most of the Cabinet jobs availabe. They can be expected to carry more weight in the gover carry more weight in the government than their Labour predecessors, Mr. Joel Barnett and Mr. Robert Sheldon.

Yet is is here that the first doubts begin to arise. The Treasury team may look determined enough on paper, but it is relatively unproven. A large part of the history of this Government will consist of battles between the Treasury and the major spending departments. As it happens, the big-spending Ministers are not greatly experienced, either — Mr. Mark Carlisle for Education, Mr. Patrick Jenkin for the Social Services and Mr. Michael Heseltine for the Environment. It is impossible to say therefore at this stage which way the battles will go.

But one cannot easily imagine any of the spending Ministers volunteering to cut their own programmes. If, as seems likely, the battles are fought out in Cabinet Committees, the influence of people like Lord Soames, Lord Carrington and the other external Ministers could be important. All of them were brought up in the Macmillan tradition of heavy public spending and a certain amount of government intervention in industry. So, too, was Lord Hailsham, who again becomes Lord Chancellor. In these circumstances, the Treasury could be a pretty lonely place to be.

## Reservation

The other, more serious, reservation must be at the junior Minister level. It is true that Mrs. Thatcher has made one striking promotion of young talent by putting Mr. David Howell in the Cabinet as Secretary of State for Energy. It is a job which no predecessor, including Mr. Anthony Wedgwood Benn, has made much of, but it is there to be developed. However, a number of bright young Tories might well have expected—and deserved—better rewards.

Working for Sir Keith Joseph while he was shadow Minister for Industry, for example, did not turn out to be a passport to high office for Mr. Kenneth Clarke or Mr. Norman Lamont, both of whom belonged to his team and are widely regarded as among the ablest of the younger Conservative MPs. Yet Mr. Clarke becomes no more than Parliamentary Secretary at the Department of Transport and Mr. Lamont is only the number three at Energy.

There are others who must have been disappointed. Mr. Barney Hayhoe, who worked closely with Mr. James Prior on Employment questions, must plainly have expected more than to become Parliamentary Under-Secretary at the Ministry of Defence with special responsibility for the army. True, defence in general is being upgraded, but that is still a surprising and not easily explicable choice. Equally, Mrs. Lynda Chalker, one of the brightest rising stars in the Party and, indeed, in the House of Commons, could be forgiven for thinking that she is worth something more than Parliamentary Under-Secretary at the Department of Health and Social Security.

There appear to be several reasons why such people were not better placed. One is the quite extraordinary number of peers in the Ministerial list. There is no obvious explanation, for example, why the No. 2 at Defence should be Lord Strathcona; nor is he an isolated case. The effect has been that some of the abler young backbenchers in the House of Commons were squeezed out, or at least pushed down the ladder.

Another reason is the more familiar one, analogous to the jigsaw puzzle: when done in a hurry, some of the pieces don't seem to fit. There is a good deal of evidence that names were being crossed out and inserted elsewhere right to the last minute. The result is that the junior list is somewhat less considered than it might have been, which is odd because there was no particular need for it to be completed so quickly.

There is also some evidence of resentment at junior levels. It is not so much about the positions offered, though there is that too. It is about pay. A number of junior and not so junior Ministers were asking themselves yesterday how they are going to live. Mrs. Thatcher will shortly have the Boyle Report on MPs' and Ministerial salaries on her desk. If she does not do something about implementation soon, she could well be in for trouble from her own side. It should be a warning signal that some young Ministers were muttering yesterday: "If you want to be in a Tory Cabinet nowadays you have to be a millionaire, and if you want to be in at the second level you ought to be a peer."

For the rest, there seems to be no particular pattern either ideologically or in the way of rewarding favourites. It is notable that some Right-wingers, such as Dr. Rhodes Boyson at Education, have been kept very much in their place despite having a certain following in the country. The exclusion of Mr. Heath has been generally greeted with relief, largely on the grounds that his presence at the Cabinet table would have been incompatible with that of Mrs. Thtcher. Even if he could have been persuaded to accept defence, which is a relatively self-sufficient job, his economic views would still have been reflected in Cabinet Committees. That clash at least has been avoided, though Mr. Heath and Mr. Edward Du Cann—the other notable omission—on the back benches could still make a formidable pair of critics.

In the end, what stands out most of all is the emergence of the old liberal Toryism mainly in the foreign affairs field, plus the failure to make the most of the available younger talent. It is an odd combination. One would have thought the old liberal Tories would have wanted to bring in the best young faces.

# Letters to the Editor

## Inflation and taxation

*From the chairman, National Economic Committee, The Association of Independent Businesses*

Sir,—This association regrets the deplorably slow progress disclosed by the latest guidelines (April 30) for inflation accounting issued by the Accounting Standards Committee in exposure draft 24. It does little more than propose that the "Hyde" guidelines, published 18 months ago, be made mandatory in respect of accounts published in 1981, because it will not be compulsory in respect of accounting periods commencing before January 1, 1980.

The terms of reference for the Government's inflation accounting committee were announced in January, 1974, which happens to be the base month for the current price index. That passed the 200 mark in 1978 and looks likely to be about 250 in 1981. Despite this rapid and continuing depreciation of the monetary unit, we are still faced with the prospect of auditors confirming that accounts show a true and fair view of profits, even though everybody concerned knows that they do not. Such reports are of course qualified by reference to the historic cost convention, but this does little to mitigate the almost universal overstatement of the profits earned by industry and commerce.

For the independent business, the most important purpose served by the annual accounts is still the establishment of the basis from which tax liabilities are calculated. Ideally, the profit shown would require no adjustment: the liability would be a published rate of tax applied directly to that profit. We have for many years realised, of course that there are very good reasons for a certain amount of adjustment in the interests of equity between taxpayers. The point has now been reached, however, where the relationship between the profit disclosed by the accounts and the profit for tax purposes is far too remote.

The larger company is able to manage its taxation affairs more easily than the smaller independent company. Despite the view taken by commentators that the effective rate of Corporation Tax is 20-25 per cent rather than the primary liability of 52 per cent, many of the 25,000 firms which this association represents pay tax at the standard rates of 42 per cent or 52 per cent according to their size on what can only be described as paper profits. The result is the progressive erosion of the capital resources and therefore the profit earning capacity of the business concerned.

Similar considerations apply to capital gains: accounts now constantly report gains which are grossly overstated, even if they are in fact realised at all.

Several Government spokesmen have regretted the lack of progress towards accepted principles of inflation accounting, and, because of it, steps have been promised to institutionalise stock relief. Welcome though that relief has been in the case of many businesses, its incidence is unfair and depends upon circumstances which are frequently beyond the control of the smaller business.

We believe the introduction of a new standard universally applicable must not be delayed and that such standard should be supported by a mandatory and detailed code. Only by adopting inflation accounting principles in this way, will it be possible to call upon the Inland Revenue to adjust for inflation their assessments to taxation.

P. A. Bayliss
*38 Chancery Lane, WC2.*

## Roads round Big Ben

*From the Chairman, Movement for London.*

Sir,—On April 30 you published an advertisement placed by British Rail. It is one of a crude and misleading series, the exact objective of which is difficult to perceive. It certainly seems to have little to do with selling rail tickets.

The advertisement asks what would happen were the entire London rail commuter network to be abandoned, and postulates that some 120 additional lanes of highway would be needed instead. A dramatic picture shows Big Ben surrounded by a three tier multi-level motorway complex. London could become like Los Angeles, the copy suggests. "Looking at it that way," the advertisement concludes, "it makes a lot of sense to invest in our way."

Looked at that way it might, but to the best of my knowledge there is absolutely nobody in London who is suggesting looking at anything like the scenario British Rail has prepared. And it is unlikely to help in the preparation of a sound transport policy for our capital city if British Rail insists on spending public money producing such scare stories.

British Rail does no service either to itself or to rational debate about transport by inserting such fundamentally confusing advertisements as these, which are only intended to stoke up prejudice. It is unlikely to induce either politicians to alter policies, or more important, members of the public to buy rail tickets—which is surely what BR advertising should be about.

L. A. Castleton.
*388-396 Oxford Street, W1.*

## Olympic Games in the arena

*From Mr. J. Barnett.*

Sir, — Why does Mr. McNaughton (May 2) suggest Athens rather than any other Greek town? The Games were held at Olympia where the arena can still be seen.

J. A. Barnett,
*41 Fawley Road, London, N17.*

## Comparison of secretaries

*From Mr. J. Upton.*

Sir,—Mr. Jason Crisp's article on the comparability of salaries (May 2), well illustrates the futility of comparing "gross salaries." What is a gross salary anyhow? It is neither what the employee receives nor what the employment costs. It is purely a figure upon which revenue is raised. I lunched recently with a French friend and we compared the earnings and costs of our secretaries. To illustrate my point, I show the annual earnings and costs of a typical UK secretary. As comparison, I show what a French employer would have to pay for this secretary to have the same amount of cash. I have not verified the tax figures for France, but the figures I quote will serve to illustrate my point.

| | France £ | UK £ |
|---|---|---|
| Cash received ... | 2,805 | 2,805 |
| Cost to employer | 4,987 | 4,540 |
| "Gross salary"... | 3,117 | 4,000 |

Although the French secretary pays only 10 per cent income tax, her employer pays a 60 per cent social security tax. The UK secretary pays almost 30 per cent in income and social security taxes, but her employer pays only 13½ per cent as social security tax. In effect, therefore, the French pay more tax on their employment than the English.

It is time to recognise that income tax, levied as PAYE, and social security payments, both currently calculated as a percentage of "gross salaries," are in fact an employment tax. Using the figures I have quoted above, the "employment tax," expressed as a percentage of net salary (cash received), is 78 per cent in France, while that in the UK is only 62 per cent. Expressed as a percentage of cost to the employer, the employment tax is 44 per cent in France, but only 38 per cent in the UK. These are the truly comparable tax figures.

J. E. Upton.
*32, Grosvenor Gardens Mews North, SW1.*

## The Banaban campaign

*From the Joint Secretary Justice for the Banabans Campaign*

Sir,—The item "Island issue comes home to roost" in Men and Matters (April 30) rightly acknowledges the completely neutral party political stance of our campaign.

The six trustees are drawn from the three major political parties and the Scottish Nationalist Party, and over 200 MPs from all parties supported the campaign in the last Parliament. All the three major parties have been in government at some time in the 79 years of appalling exploitation of the Banabans. They must all therefore share responsibility.

All candidates in marginal seats are being asked whether or not they will support the Banabans' right to self-determination if elected to Parliament. The fact that some Foreign Office Ministers hold such seats is coincidental.

In fairness to the Ministers responsible over the years it is clear that knowledge of many vital documents was withheld from them by their permanent officials. Indeed a new Government sees little of the previous administration's papers.

This convention is reinforced by the other which insists that Ministers (who rarely spend more than a couple of years in any one office) accept full responsibility for their departments. Neither convention should blind us to the fact that the continuity of a policy towards a tiny Pacific community which has brought dishonour on this country is almost entirely the work of generations of permanent officials who have taken a callous and mercenary view of the Crown interest.

We hope that whoever the Secretary of State may be next week will insist that what is right finally prevails over what is expedient.

Grenville Jones,
*22, Charing Cross Road, WC2.*

## Keeping down the mice

*From Mr. P. Bateman.*

Sir,—Your item (Column 1, Page 1, April 23) concerning long-coated supermice surviving in cold stores and resisting many poisons need cause no great alarm.

Such rodents have been dealt with effectively for the past ten years and the alternative mouse killers such as alphachloralose and calciferol are *keeping the numbers down*. My company has no evidence that rodents increased significantly during the dustmen's strike.

Peter L. G. Bateman,
*Rentokil House, Garland Road, East Grinstead, West Sussex.*

## Hong Kong outlook

*From the Senior Representative UK, Hong Kong Trade Development Council*

Sir,—Philip Bowring reported on April 27 "Brighter outlook for Hong Kong" and five days later on May 2 "Subtle menace to Hong Kong" which seems a contradiction at least.

Hong Kong does suffer more than most from immigration problems that even the world's largest countries would find great difficulty in absorbing; but has converted most of them to a productive and satisfying contribution to trade development opportunities in spite of trade protectionism which is spreading almost as fast as the incoming immigrants.

The indigenous Chinese leadership and population of China are not a subtle menace to Hong Kong any more than the 98 per cent proportion of the local indigenous Chinese population are a menace to the British. They have proved to be a most intelligent and productive catalyst in influencing the British to do things their way and are the major reason for Hong Kong's economic success since 1949.

The ability of the British administration to influence their supporting priorities of health, education, housing and communications is reflected in the progress made in Hong Kong over the past 30 years, which is unequalled throughout South East Asia.

I am confident there is more danger for Hong Kong in its evolutionary future development if protectionism in its world markets, continues to restrain those immigrants from earning by their own efforts their just reward of a "Brighter outlook for Hong Kong."

F. McKellar
Hong Kong Trade Development Council,
*14-16 Cockspur Street, SW1.*

# Today's Events

**GENERAL**

U.K.: National Enterprise Board annual report published.

National Association of Schoolmasters and Union of Women Teachers start working five-hour day.

Jeremy Thorpe trial opens at Old Bailey.

CBI publishes EEC policy document.

Liberal Party launches European Parliamentary election campaign.

Public enquiry opens into NCB application to mine the Vale of Belvoir, Grantham.

Society of Civil and Public Servants conference opens, Conference Centre, Brighton (until May 11).

Civil Service Union conference, Norbrack Castle, Blackpool.

National Federation of Fish Fryers conference, Harrogate (until May 9).

Sir Terence Beckett, Ford Motor Company chairman, speaks at Road Haulage Association dinner, London.

Paddle steamer Waverley visits London (until May 11).

Overseas: Italian nationwide strike in industry and agriculture.

EEC Agriculture and Foreign Ministers meet in Brussels.

European Parliament in session, Luxembourg (until May 11).

UN Secretary General Kurt Waldheim arrives in Manila for UNCTAD V.

**OFFICIAL STATISTICS**

Department of Trade publishes final March figures for retail sales; and hire purchase and other instalment credit business for March. Department of Industry publishes April provisional wholesale price index

**COMPANY RESULTS**

Final dividends: Averys. Barr and Wallace Arnold Trust. Booth (International Holdings). Brixton Estates. European Ferries. Heal and Son Holdings. International Thompson Organisation. Lesney Products and Co. Marks and Spencer. More O'Ferrall. Mothercare. Prince of Wales Hotels. Samuel Sherman. Interim dividends: Richard Costain. Hawkins and Tipson. T. Hepworth and Son. Moss Engineering Group. Interim figures: Philips Lamps Holding, first quarter figures.

**COMPANY MEETINGS**

See Financial Diary on Page 40.

# UK COMPANY NEWS

## Dunlop set for further expansion of non-European business

The prospect for Dunlop Holdings outside Europe is one of continued expansion and increasing profitability. This will be based on the development of its present product range, expertise and reputation together with new ventures, says Mr. Alan Lord, managing director of the group's international company.

In 1978 non-European business accounted for £42m (£43m) of the group's total operating profit of £64m (£75m). On a current cost basis this sector produced an operating profit up from £30m to £32m while European results showed a loss of £12m (£7m).

One of the group's most important sources of profit was again the Pirelli company in Brazil which contributed £5.7m to total CCA pre-tax profit of £13m (£20m).

For the year to December 31 the group's historic profit before tax showed a decline from £57m to £43m on external sales of £1.48bn (£1.36bn), as reported April 20. The net dividend is maintained at 5.3p.

A growing proportion of Dunlop tyre output in Europe during the year was of the steel radial car and truck tyres which gives twice the life or more of the cross-ply it replaces. There was also progress towards a standards range of tyre for this market.

Despite over capacity and severe competition, the tyre industry in Europe remains the second largest in the world. Following an in-depth examination Dunlop has decided to attack the major segments of the European market with appropriate concentration of investment.

The main impact of this policy will be in the UK manufacture of tyres. In Janaury the end of tyre making at Speke was announced together with plans to invest £75m in modernisation of the three remaining UK factories.

Sir Campbell Fraser, the chairman, says that returning the European tyre business to good health will be a hard slog.

### BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

**TODAY**

Interims: Costain, Hawkins and Tipson, J. Hepworth, Moss Engineering.

Finals: Averys, Barr and Wallace Arnold Trust, Booth (International Holdings), Brixton Estate, Energy Services and Electronics, European Ferries, Heal and Son, International Thomson Organisation, Lesney Products, London Intercontinental Trust, Marks and Spencer, More O'Ferrall, Mothercare, Prince of Wales Hotels, Samuel Sherman.

**FUTURE DATES**

| | |
|---|---|
| Interims— | |
| Reeburn Investment Trust | June 15 |
| Riley (E. J.) | May 14 |
| Wolv. and Dudley Breweries | May 30 |
| Finals— | |
| Advance Laundries | May 22 |
| Bilton (Percy) | May 30 |
| French Kier | May 14 |
| Gates (F. G.) | May 11 |
| Hartwells | May 16 |
| King and Shaxson | May 10 |
| L.K. Industrial Investments | May 9 |

## Progress by Scottish Amicable

Total long-term funds of the Scottish Amicable Life Assurance Society, including those of Scottish Amicable Pensions Investment, rose in 1978 by 17 per cent from £495m to £580m at the end. Premium income was 23 per cent higher at £97.5m compared with £79.2m and investment income rose by a similar proportion from £40.9m to £50.3m. Claims were £2m lower on the year; but commission payments advanced significantly to £8m, reflecting the successful new business achieved in 1978, and other expenses were 17 per cent higher at £12.5m.

Mr. John A. Spens, chairman, reports that of the Society's new investment of UK funds, £41.3m was invested in gilts and other public securities, £19.1m in ordinary shares and £10m in property. Included in the public securities were £2.5m of option mortgages to various local authorities to match the liabilities under Flexidowment policies.

Of the equity investment made last year, £12.1m was in the U.K. with the balance being invested in the U.S. The company invested £9m of its UK equity investment in the first quarter when the market was at its lowest levels and £2.7m was sold in the third quarter when the market peaked.

New property acquisitions in 1978 accounted for £6m, with the balance being applied to developments entered into in previous years.

## £75,000 loss for Grovebell

Grovebell Group suffered a £75,535 loss, compared with £108,707 taxable profit, for the year to November 30, 1978. But the holding and investment group is holding the total dividend at 1p net with a final of 0.5p.

The group said the chief cause of the downturn which accelerated in the second half was due to the development of trading companies.

At midway the taxable surplus had fallen from £44,257 to £3,162. The board then said the decline was due to the development costs, but added that it hoped to see some positive results from these expenses, including the Rotex acquisition, in the second half.

The directors now say the overhead expenses from developing Gregory and Hephrun, Gregory and Hephrun Manufacturing and Rotex must be looked at from a long-term point of view. They are confident these subsidiaries would make a significant contribution to profits.

## Offer for sale by Fulcrum Trust

Fulcrum Investment Trust, a new split level capital investment trust, is coming to the market today with an offer-for-sale which will raise £1,415,000 net. The application list opens and closes on Friday.

It is the first split level investment trust to be offered since Archimedes Investment Trust was launched in October 1973 and the 24th since the mid-1960s when split capital trusts were first introduced in the UK.

Fulcrum is offering 1.2m units, each comprising two income shares of 25p each and 10 capital shares of 2½p each, at 125p per unit.

The directors say they intend to accept firm applications to 780,000 units, representing 65 per cent of the total capital—the balance has been underwritten by Sheppards and Chase.

Total funds available for investment amount to roughly £1,915,000, which includes a £500,000 loan facility negotiated with Chemical Bank. The initial cash amount attributable to the capital shares is £455,000, or 3.79p per share. The investment managers are Carliol Investment Management.

The income shares are entitled to all the income available for distribution while the capital shares are entitled to the net assets after deduction of the amount attributable to the income shares.

The Articles provide that Fulcrum must be liquidated between 1991 and 1994 when the net assets will be distributed to shareholders.

On liquidation the holders of income shares will receive 40p per share plus any amount standing to the credit of revenue reserves while capital holders will share the remaining assets.

Dividends are expected to amount to about 95 per cent of the company's income available for distribution. When the funds have been fully invested, the directors expect to pay an aggregate 4p per income share net, equivalent to 5.97p gross.

Fulcrum's chairman is Mr. A. Clowes, a senior partner of Sheppards and Chase. Other directors are Mr. S. Cockburn, an executive director of Rivermoor Management Services (which manages six quoted investment trusts) and Mr. P. Hill-Walker, managing director of Carliol Investment Trust, The Tyneside Investment Trust and Carliol Investment Manageent.

The prospectus shows that firm applications for Fulcrum units will be made by clients of Sheppards and Chase for 162,850 units, investment trusts (including Jove), of which Mr. Cockburn is a director, and certain funds managed by him, for 185,000 units and investment trusts, of which Mr. Hill-Walker is a director, for 40,000 units.

### ● comment

Fulcrum is the first split level trust for more than five years. With proceeds of only £1.5m gross it is not big enough to have any real impact on the market but the fact that 65 per cent of the issue has already been placed supports the view that there is some demand for a new split level trust. To be attractive in current markets the income shares will have to yield around 12 per cent. Fulcrum is to pay dividends of 4p net which means that the income units should be priced at about 50p, leaving the capital units effectively costing par of 2½p. After paying costs and the 40p to income share holders on liquidation, there is still a useful discount of some 34 per cent on the underlying asset value. This seems to make the capital units competitive with some of the existing alternatives in the market, but Fulcrum is only of specialised interest.

## Scottish Utd. increases in first quarter

Gross revenue of Scottish United Investors increased from £836,368 to £1.11m in the three months to March 31, 1979, and net revenue was higher at £416,213, against £310,753. In the last full year net revenue totalled £1.79m.

Net asset value per 25p share is shown up from 71.7p to 85.3p.

Where applicable, the dollar premium of 27¼ per cent on March 31, 1979 (45¼ per cent) has been added to the value of the investments and uninvested foreign currency. The amount added is £9.3m (£14.98m).

## Consortium makes further £0.7m capital injection into Crellon

FURTHER CAPITAL has had to be injected into the troubled Crellon Holdings electrical distribution group, following a call on guarantees made to the biggest subsidiary, Superlamp Metallic, which is now in receivership.

The call, for £760,000, created "excessive" liabilities and borrowings on the holding company and the other trading subsidiary, Crellon Electronics.

As a result Mr. Joseph Eiger, the new chairman, his associates Shay and Antony Gibbs Investment Management, have subscribed a further £692,000 funds to the group along the lines of last year's rescue by Mr. Geoffrey Rose.

As a result the consortium holds 34.1 per cent of the company's voting rights or 42.9 per cent on full conversion.

No offer for the group will be made, however, as the Takeover Panel has waived Rule 34 which triggers off an automatic bid if more than 30 per cent of the voting rights end up with one party.

The rescue package involves a mixture of 10 per cent secured convertible loan stock, ordinary shares and 12 per cent convertible cumulative participating preferred redeemable shares.

Shareholders will have to authorise the issues of these stocks at a special meeting which will be held "as soon as possible."

The Board of Crellon, which now includes Mr. B. Charles, the managing director of the electronics subsidiary, and Mr. B. Davis, as new company secretary, say that they believe the company "now has a viable future."

Exactly a year ago, Mr. Geoffrey Rose and his U.S. associates injected £¼m of capital into the company through preferred shares and also arranged a £¼m rights issue following severe losses in 1977.

By December Mr. Rose said that he thought the group would be back in profit by the second half of 1978-79 but in February he sold his stake to Antony Gibbs and Mr. Eiger, just two months before the group passed its dividend on the preferred shares in anticipation of substantial losses.

Since then Superlamp, the biggest trading subsidiary, has gone into receivership on the instruction of Williams and Glyn's bank which holds the bulk of the group's £1.7m overdraft.

## Moss Bros. profit up £102,000

PRE-TAX profits up from £307,269 to £409,471 for the year to January 27, 1979, are reported by Moss Bros and it is already apparent that this year will see continued growth, says Mr. Basil H. Moss, the chairman.

Earnings per share for last year are stated at 8.85p against 6.23p and a final dividend of 2.278p makes a total of 3.611p against an equivalent 3.234p previously.

A further one-for-five scrip issue is proposed and directors expect to maintain the present rate of dividend in respect of the existing and new stock units.

| | 1979 £ | 1978 £ |
|---|---|---|
| Turnover | 6,514,407 | 5,586,043 |
| Profit before tax | 409,471 | 307,269 |
| Tax | 223,690 | 176,381 |
| Net profit | 185,781 | 130,888 |
| Dividends | 75,841 | 68,478 |
| Forward | 273,789 | 163,8[illegible] |

A new branch in Piccadilly was opened last month and the directors are confident that this development will make a worthwhile contribution to profits in due course.

Over £217,000 was invested during the year as additions to fixed assets mainly representing the cost of refitting and modernising branches. The branches in Glasgow and Croydon have been relocated to larger premises nearer to the business centre of those areas. These moves have already proved worth while.

### BROADSTONE INVESTMENT

The directors of Broadstone Investment Trust announce that, arising from the compulsory conversion notice sent to holders of the 4½ per cent convertible unsecured loan stock 1988/93, holders of £16,798 stock have been repaid at par.

The remaining £476,870 stock has been compulsorily converted at April 30, 1979 and 317,914 ordinary 20p shares each have been issued on conversion.

## Herrburger little changed but optimistic

On turnover up from £1,866,728 to £2,249,333, pre-tax profit of Herrburger Brooks, Nottingham-based maker of piano actions, keys and hammers, fell marginally from £89,437 to £85,184 for the half-year to November 30, 1978.

Following the previous full year's record pre-tax profit of £208,136, the half-year result fell short of expectations due to circumstances beyond the company's control, says Mr. J. Campbell Ritchie, the chairman.

However, turnover and profit have picked up very rapidly in the second half and he expects that the full year results will be satisfactory.

Trading profit in the first six months improved from £101,795 to £105,339, but after interest payable up from £12,358 to £20,155, and tax down from £46,355 to £44,300 net profit declined from £43,082 to £40,884.

Exchange gain in the half-year was also slightly down from £7,518 to £7,187, leaving attributable profit at £48,071 against £50,600.

## FT Share Information Service

The following securities have been added to the Share Information Service appearing in the Financial Times:

**Applied Computer Techniques** (Section: Industrials)

**English National Investment Pref. & Def'd.** (Section: Investment Trusts)

**Evered** (Section: Engineering)

**Tongkah Harbour Tin Dredging Berhad** (Section: Mines-Tins)

## Alex. Howden into Euromarket with $30m issue

Alexander Howden, the international insurance and reinsurance group, has chosen to enter the Eurobond market in order to lengthen the terms of its borrowings.

Through its Dutch subsidiary it is to issue $30m of guaranteed bonds 1991 each $1,000 unit of which will carry detachable warrants for subscripiton to 150 ordinary shares in June 1980.

Some $12.5m of the proceeds will be used to repay the borrowings made in the takeover of Southeastern Aviation Underwriters, including $4.5m intercompany borrowings.

A further $10m will be used to repay short and medium term borrowings which at present include £1.7m repayable within a year and £4m repayable to Williams and Glyn's bank at the end of the year.

As at last December total group borrowings were £20.5m, all of which was short or medium term. The new bond will reduce that by £8.8m or so net.

The final tranche of the bond, around $7.5m, will be held in foreign currencies for use outside the UK. According to Mr. Martin Reynolds, the group secretary, yesterday, that money has been earmarked either for the U.S. to capitalise the New York operation or for Bermuda.

Allowing for full conversion of the warrants the group's equity will be increased by about 5 per cent. Only a year ago Howden raised £26.2m by way of a successful rights issue intended for the purposes of "sustaining growth and taking advantage of opportunities for expansion."

Just over a month ago Howden had to report that growth had not been sustained. Pre-tax profits for 1978 fell from £21.4m to £17.7m despite strong growth in brokerage revenue.

The bond issue is to be managed by J. Henry Schroder Wagg. Final terms are expected to be fixed on May 17 with the indication that the coupon will be 9¼ per cent.

### SUITS

Last Friday's market price for Scottish and Universal Investments was 208p. The offer price from Lonrho was worth 199p. The figures were transposed in Saturday's summary of the week's company news.









### LOCAL AUTHORITY BOND TABLE

| Authority (telephone number in parentheses) | Annual gross interest % | Interest payable | Minimum sum £ | Life of bond Year |
|---|---|---|---|---|
| Knowsley (051 548 6555) | 11¾ | ½-year | 1,000 | 5-7 |
| Redbridge (01-478 3020) | 11 | ½-year | 200 | 4-5 |
| Redbridge (01-478 3020) | 11¾ | ½-year | 200 | 6-7 |
| Wrekin (0952 505051) | 11 | yearly | 1,000 | 2-3 |

CORAL INDEX: Close 565-570

### INSURANCE BASE RATES

| | |
|---|---|
| † Property Growth | 11¼% |
| † Vanbrugh Guaranteed | 10.12% |

† Address shown under Insurance and Property Bond Table.

# Court backs AGL seat on Board of Santos

By James Forth in Sydney

THE SUPREME COURT of New South Wales ruled yesterday that a director of Australian Gas Light Company (AGL) was entitled to represent the company on the board of Santos, the gas production and exploration company. The court action arose out of the recent sale by the French group, Total Oil of AGL of a 10 per cent shareholding in Santos.

Under an agreement entered into in 1962, Total was entitled to appoint a director to the Santos board. Although AGL became the beneficial owner, the Santos shares remained in the name of Total, which nominated Sir William Pettingell, a director of AGL, as a Santos director. Santos, however, challenged the right of AGL to have a representative appointed, after excluding Sir William from a Board meeting on March 5.

AGL is the distributor of natural gas in New South Wales, and Santos argued in court that Sir William would face a conflict of interests as a director of Santos. It was also claimed that nomination by Total and appointment was a "fraud on the power." Mr. Justice Rath, however, ruled that, while the evidence might show that Sir William could be in a "delicate position" as a Santos director, the exercise of the power of appointment was not invalidated on that ground. Justice Rath said that the articles of Santos contemplated that a director might have a conflict between his interest and his fiduciary duty to the company and made provision for the disclosure of interest and abstention from voting in such circumstances.

# Good start to year by Swedish motor groups

BY VICTOR KAYFETZ IN STOCKHOLM

VOLVO'S annual report, which for the first time provides a breakdown of profits by product group, states that earnings on trucks and buses rose from SKr 480m to SKr 520m, thereby accounting for most of last year's consolidated pre-tax profit of SKr 46m ($147m).

Truck deliveries in 1978 totaalled 25,300 units, up from 24,600 the preceding year. Britain became Volvo's largest truck market for the first time, with 1978 sales of 4,000 units. Pre-tax profits in 1977 were SKr 351m.

Passenger cars lost SKr 105m in 1977, but last year turned a profit of SKr 190m. This was due to considerable improvement in earnings for the 240-260 models, while models 66 and 343 registered a smaller loss than in 1977, the report stated.

Volvo sold 278,000 passenger cars last year against 261,000 in 1977. Because production lagged behind sales, inventories at year-end 1978 were very low.

The group lost SKr 85m last year on sales of construction, agricultural and forestry machinery totalling SKr 1.8bn, compared with a 1977 loss of SKr 10m on sales of SKr 1.78bn.

Volvo's loss on industrial engine production increased by SKr 40m to SKr 50m due mainly to greater losses on outboard motors and costs related to shutting down outboard production. The product group including aircraft engines and hydraulic machinery showed continued good profitability, with earnings of SKr 90m against SKr 95m in 1977, the report said.

As usual Volvo avoids exact forecasts for the current year, but the group managing director, Mr. Pehr G. Gyllenhammar, writes that 1979 has begun well and that despite an uncertain world political situation and no guarantee of oil supplies, "Volvo is a well-consolidated company with competitive products, growing market shares and an aggressive product development. We look at the future with confidence.

Group earnings per share rose from SKr 9.30 in 1977 to SKr 17.20 and net profit after allocations and taxes was SKr 312m, up from SKr 198m. The Volvo board proposes raising the dividend by SKr 1 to SKr 7 per share, requiring a total payment of SKr 123.6m. It also recommends a one-for-six rights issue at SKr 60 a share to raise SKr 212m in new share capital, following the rejection last January by shareholders of the management's plan to sell 40 per cent of the company to Norway.

Meanwhile, Saab-Scania, the other Swedish automotive group, revealed at its annual general meeting that first quarter 1979 sales were about SKr 3.1bn ($705m) or 26 per cent up on the same period last year, while "earnings before allocations and taxes have risen at a faster pace than sales."

Saab-Scania is sticking to last month's prediction of higher sales and earnings in 1979. At the annual meeting it added that due to improved profits on Scania trucks and Saab cars, offsetting lower earnings for the group's aircraft division, earnings should continue rising.

Last year Saab-Scania's profit before allocations and taxes was SKr 465m on a turnover of SKr 11.64bn.

# Ferodo to contest Lucas court decision

By David White in Paris

THE LEGAL battle between Lucas Industries and its French motor components competitor Ferodo over the future of a French electrical parts producer, Ducellier, took another turn at the weekend when Ferodo announced that it would appeal against a court decision favouring the British group.

In March, Lucas won its case to have an agreement made between Ferodo and Ducellier's main shareholder annulled. Lucas holds 49 per cent of Ducellier, the remainder being owned by DBA, a subisidiary of the U.S. Bendix group.

An initial agreement between the U.S. and British groups for Lucas to acquire full control of Ducellier failed to receive French government approval. Ferodo finally came in, with a pact which would have given it effective control of the Bendix stake. It was this pact which the Paris Commercial Tribunal declared null and void.

However, the French group took pains to emphasise that it was still actively discussing forms of industrial co-operation with Lucas as a compromise solution. Such an agreement, it said, would be founded "on a reasonable basis, taking into account the interests of Ducellier and of its shareholders."

# Gould increases its bid for Fairchild Camera

BY STEWART FLEMING IN NEW YORK

GOULD, the Illinois-based electronics concern, fired the second shot in its battle to take over Fairchild Camera and Instrument yesterday, when it raised the terms of its proposed bid from $54 a share to $57.

On Friday, the board of Fairchild, a California-based semiconductor manufacturer, firmly rejected the $54 offer, which valued the company at around $300m, for its 5.4m ordinary shares.

On the same day, however, Fairchild's shareholders, at their annual meeting, voted down a board proposal to permit the authorisation of preference shares which, if issued, could have been employed as part of a takeover defence.

Wall Street speculators had been convinced that Gould would not be daunted by a rejection from Fairchild, and their judgment was rewarded early yesterday morning.

Gould said that it intended to make a tender offer for up to 2.5m. Fairchild shares at $57 a share in cash. If the offer is successful, Gould plans a tax free merger through a share exchange for the remaining Fairchild equity.

Fairchild had no comment on the announcement of the proposed tender offer which is expected to commence on May 29.

Fairchild has been expected to try and seek out an alternative partner, since it is thought unlikely that it will be able to fight off Gould alone. Last week, however, the Fairchild chairman, Mr. Wilfred J. Corrigan, denied that the company had had any offer from, or was discussing, a merger with any other company.

# U.S. Steel forecasts upturn

HOUSTON — An expected decline in consumer spending in the third quarter followed by a decline in overall business activity in the fourth quarter, will probably not result in a matching decline in steel consumption, according to U.S. Steel Corporation.

Mr. William R. Roesch, president, told the company's annual meeting that demand for steel products serving the capital goods markets should remain strong throughout 1979.

As a result, he said, U.S. Steel's strong order book should continue to be heavily weighted towards products that best fit the company's mix of facilities, and should improve the company's steel operations profitability.

Mr. Roesch said that U.S. Steel's chemicals business could show the most improvement in 1979 among the company's five lines of business, due to firming prices in both the industrial and agricultural product areas.

The company expects that its healthy operating rates will continue through the first half of 1979, probably through the third quarter, and possibly to the year-end, Mr. Roesch said.

Mr. Roesch also repeated an earlier prediction that profitability in steel operations should improve in 1979. He said that U.S. Steel's capital improvement plans include the rebuilding of nine coke batteries by 1980 and the opening of a new metallurgical coal mine in West Virginia.

Mr. David Roderick, chairman, said that all five of U.S. Steel's major lines are expected to do even better in 1979, and that the domestic steel industry this year could ship 101m tons of steel, the highest level since the industry's record year in 1974.

AP-DJ

# Austrian sale by Borregaard

By Fay Gjester in Oslo

BORREGAARD, the Norwegian industrial group, is considering selling its Austrian subsidiary to the German concern PWA. A decision will be taken within the next couple of months.

This was revealed by the groups president, Mr. Oddmund Sorhus, at a press conference in Oslo to present the group's annual report and accounts. Mr. Srhus said that sale of the Austrian subsidiary, which makes fine paper and cellulose, would release a considerable amount of capital.

This would be used to reduce the group's debt, rather than for investment. The Austrian facilities made a loss last year, but better results are expected this year.

## Spie-Batignolles

SPIE-BATIGNOLLES, the engineering concern controlled by the Empain-Schneider group raised its net profit for 1978 to FFr 25.14m ($5.8m), from FFr 20.06m, reports AP-DJ from Paris.

# Phoenix-Gummi sees rise after deficit last year

BY GUY HAWTIN IN FRANKFURT

TYRES WILL this year account for less than 10 per cent of the total sales of Phoenix AG Hamburg-Harburg, better known as Phoenix-Gummi. In February this year the group—formerly West Germany's second largest tyre maker — announced that it was pulling out of the mass tyre market.

Losses in the tyre sector have cost the group dearly during the past few years and contributed greatly to the DM 29.9m ($15.8m) loss Phoenix yesterday reported for 1978. Last year's loss follows a very modest DM 103,000 net profit in 1977.

According to yesterday's report, abandoning the mass tyre market will cost the group some DM 150m a year in sales. Last year total sales amounted to DM 474.5m — 8.2 per cent down on 1977's DM 516m turnover figure.

The group's management said that although the sales loss was a high price to pay for an essential structural change, it meant the end of a "year-long source of losses." It will not result in Phoenix pulling out of the tyre business altogether, but it will be concentrating on specialist tyres and tyres for commercial vehicles, in which it has invested much research and development expenditure.

The move reinforces technical rubber products as Phoenix's main earner. Last year, however, things went none too well in four sectors which are important customers for the group. Steel and shipbuilding were in recession, while strikes curbed demand in the motor and printing industries. As a result, profits on the technical products side were insufficient to balance out losses in the tyres sector.

In the first quarter of the current year, things appear to be going rather better. The signs of improvement noted in the final three months of 1978 continued, and sales were up 10 per cent, bringing the company back into the black.

# Swedish Match disposal

By Our Stockholm Correspondent

SWEDISH MATCH plans to sell most of its manufacturing units for packaging machinery, which are part of its machinery division (Arenco), to Paxall Inc., of the U.S. for an undisclosed sum. The preliminary agreement includes the transfer to Paxall of a British factory, Arenco-Alite in Letchworth with about 35 employees.

In addition, Paxall will become half-owner of the packaging machinery production unit at Arenco's factory in Kalmar, Sweden.

# Increase at CIT-Alcatel

By Terry Dodsworth in Paris

AFTER-TAX profits of CIT-Alcatel, the telecommunications subsidiary of CGE, the diversified electrical engineering group, rose last year by 8.6 per cent to FFr 105.9m ($24m). These results were achieved on a consolidated turnover of FFr 5.8bn.

CIT is one of the two main vehicles for the rationalisation and modernisation of the French telecommunications industry. Like its main rival, Thomson-CSF, which arrived on the scene comparatively recently through a series of takeovers, it has been pushing hard in overseas markets.

A dividend of FFr 54 a share is being proposed this year, compared with FFr 51 in 1977.

# Coca-Cola first-quarter sales and profit up

BY OUR FINANCIAL STAFF

COCA-COLA, the largest soft drinks company in the world, has continued to increase sales and earnings in line with the momentum achieved in 1978.

For the first three months of 1979, the company has lifted earnings per share by 13 per cent to 69 cents from 61 cents—a performance exactly in line with the per share earnings growth achieved for the whole of last year.

Sales for the three months have risen by 16 per cent to £1.05bn from $908.2m with earnings overall increasing to $85.2m from $75.1m in the opening three months of 1978. For the whole of last year, Coca-Cola's earnings per share were $3.03, compared to $2.68.

The company produces syrups and concentrates under a variety of brand names apart from Coca-Cola, including Tab, Sprite, Fresca and Fanta. Non-soft drinks operations include tea and coffee, wine and industrial products.

The company's world-wide spread of operations takes in some 135 countries. In 1978, soft drinks accounted 76 per cent of total sales and 87 per cent of profits. Non-American operations contributed 46 per cent of sales and 63 per cent of profits.

Coca-Cola reports that more than half of its U.S. bottlers, with more than 50 per cent of coke syrup volume, have agreed to company-sponsored amendments to bottler contracts.

# Quebec sale deadline extended

By Robert Gibbens in Montreal

GENERAL DYNAMICS of the U.S. has been given until the end of this year to sell its 54.6 per cent shareholding in the Canadian company, Asbestos Corporation, to the Government of Quebec.

The two sides have been negotiating for some time with the disposal by General Dynamics bogged down over arguments concerning the selling price. The American company has been demanding close to C$100 a share with the Canadians prepared to put up C$42.

In 1977 General Dynamics' interest in Asbestos Corporation contributed some 15 per cent of group sales and around a quarter of operating income.

# CURRENCIES, MONEY and GOLD

# Warning for Belgian franc

BY COLIN MILLHAM

There were increasing signs that the dormant European Monetary System was coming out of hibernation last week, with all the possible problems that such an awakening may hold. Currencies supported by high interest rates continued to lead the system, with the French franc overtaking the Irish punt on Friday morning, to become the third strongest member behind the lira and Danish krone.

Low interest rate currencies—the Deutsche Mark and Dutch guilder—remained at the lower end of the EMS, while the Belgian franc gained no initial advantage from the rise in Belgium's Bank Rate to 7 per cent from 6 per cent.

The Belgian National Bank made no comment when raising its Bank Rate last Wednesday, but it was generally assumed to reflect the continuing weakness of the franc.

The currency's most obvious decline, apart from against the lira, has been in terms of the Danish krone. This has required various corrective action by the authorities in the foreign exchange market in recent weeks. Last Monday and Wednesday the Belgain franc fluished below its lowest permitted level against the krone. On Thursday the krone itself was weak, helping the franc off its floor, but at the same time dragging down the Belgian currency against other EMS members.

This sent an automatic warning to the Belgian authorities as the franc moved outside the permitted divergence limit against its European Currency Unit central rate. Some remedial action was then called for, but the problem was that the action had already been taken by raising Bank Rate before the warning signal was sent.

Possibly a more fundamental worry for the Belgian central bank is the steady weakening of the franc against the D-mark, which is not protected by high interest rates, or is itself particularly strong at present.

## CURRENCY RATES

| May 4 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | 12 | 0.615176 | 0.641030 |
| U.S. $ | 9½ | 1.27372 | 1.33110 |
| Canadian $ | 11¼ | 1.46365 | 1.52657 |
| Austria Sch | 3¾ | Unavail | 18.5689 |
| Belgian F | 6 | 38.6065 | 40.3490 |
| Danish K | 8 | 6.78893 | 7.09476 |
| D mark | 4 | 2.41778 | 2.52642 |
| Guilder | 6½ | 2.62450 | 2.74340 |
| French Fr | 9½ | 5.57507 | 5.82529 |
| Lira | 10½ | Unavail | 1127.71 |
| Yen | 3½ | 282.129 | 293.707 |
| Norwgn K | 7 | 6.57685 | 6.89245 |
| Spanish Pta | 8 | 84.0897 | 87.9258 |
| Swedish Kr | 6 | 5.59509 | 5.85577 |
| Swiss Fr | 1 | 2.19080 | 2.29002 |

## THE POUND SPOT AND FORWARD

| May 4 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| U.S. | [illegible] | 2.0775-2.0785 | 0.32-0.22c pm | 1.56 | 0.55-0.45 pm | 0.96 |
| Canada | [illegible] | 2.3865-2.3875 | 0.25-0.15c pm | 1.01 | 0.35-0.25 pm | 0.50 |
| Nethlnd. | [illegible] | 4.28¾-4.29¾ | 2⅛-1⅛c pm | 5.25 | 5-4 pm | 4.20 |
| Belgium | [illegible] | 62.90-63.00 | 30-20c pm | 4.77 | 55-45 pm | 3.18 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Belgian rate is for convertible francs. Financial franc 64.50-64.60. Six-month forward dollar 0.78-0.68c pm; 12-month 1.50-1.40c pm.

## GOLD

| | May 4 | May 3 |
|---|---|---|
| Gold Bullion (fine ounce) | | |
| Close | $248¼-249 (£119.5-119.8) | $246¼-247 (£118.8-119.0) |
| Opening | $247¼-248 (£118.4-118.8) | $246¼-247 (£118.8-119.0) |
| Morning fixing | $247.65 (£119.177) | $245.90 (£118.295) |
| Afternoon fixing | $248.45 (£119.758) | $246.50 (£118.738) |
| Gold Coins, domestically | | |
| Krugerrand | $259¾-263¼ (£125-127) | $257¼-261½ (£124-126) |
| New Sovereigns | $68½-70½ (£33-34) | $68-70 (£32½-33½) |
| Old Sovereigns | [illegible] | [illegible] |
| Gold Coins, internationally | | |
| Krugerrand | [illegible] | [illegible] |
| New Sovereigns | [illegible] | [illegible] |
| Old Sovereigns | [illegible] | [illegible] |
| $20 Eagles | [illegible] | [illegible] |
| $10 Eagles | [illegible] | [illegible] |
| $5 Eagles | [illegible] | [illegible] |

## OTHER MARKETS

| May 4 | £ | $ | | Note Rates |
|---|---|---|---|---|
| Argentina Peso | 2512-2532 | 1209-1219 | Austria | [illegible] |
| Australia Dollar | 1.8800-1.8840 | 0.9050-0.9070 | Belgium | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Rate given for Argentina is free rate.

## EXCHANGE CROSS RATES

| May 4 | Pound Sterling | U.S. Dollar | Deutschem'k | Japan'se Yen | French Franc | Swiss Franc | Dutch Guild | Italian Lira | Canada Dollar | Belgian Franc |
|---|---|---|---|---|---|---|---|---|---|---|
| Pound Sterling | 1. | 2.078 | 3.850 | 459.0 | 9.095 | 3.578 | 4.285 | 1759. | 2.387 | 63.95 |
| U.S. Dollar | 0.481 | 1. | 1.901 | 220.9 | 4.377 | 1.722 | 2.063 | 846.5 | 1.149 | 30.39 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## LONDON MONEY RATES

| May 4 1979 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Local Auth. negotiable bonds | Finance House Deposits | Company Deposits | Discount market deposit | Treasury Bills | Eligible Bank Bills | Fine Trade Bills |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## MONEY RATES

| | |
|---|---|
| **NEW YORK** | |
| Prime Rate | 11.75 |
| Fed Funds | 10.1875 |
| Treasury Bills (13-week) | 9.65 |
| Treasury Bills (26-week) | 9.63 |
| **GERMANY** | |
| Discount Rate | 4 |
| Overnight Rate | 5.175 |
| One month | 5.475 |
| Three months | 5.775 |
| Six months | 6.15 |
| **FRANCE** | |
| Discount Rate | 9.5 |
| Overnight Rate | 6.75 |
| One month | 6.9375 |
| Three months | 7.0625 |
| Six months | 7.3125 |
| **JAPAN** | |
| Discount Rate | 4.25 |
| Call (Unconditional) | 5.0625 |
| Bills Discount (three-month) | 5.625 |

# Sharp gain for Thomas Nationwide Transport

BY OUR SYDNEY CORRESPONDENT

THOMAS NATIONWIDE Transport (TNT), the international transport group, earned more in the nine months to March 31, than it had achieved in any previous 12 month. The group profit for the first three quarters jumped 65 per cent, from A$9m to A$14.9m (U.S.$16.6m), and the directors forecast that profit for the full year would be "well in excess" of the results for 1977-78.

The profit so far this year is well ahead of the $A14.2m earned in 1977-78 and the previous record of $A14.4m, set in 1976-77. The profit improvement easily outstripped the gain in sales—which rose 19 per cent to A$456m (U.S.$506m). The increase reflected a strong improvement in the results of the overseas operations and a solid growth in the Australian activities.

A major improvement was recorded by the U.S. subsidiary, Trans Freight Lines (TFL), which is now trading profitably, after incurring heavy losses. With the conclusion of a strike by longshoremen, TFL is for the first time trading with all four of its ships, and utilisation is running at more than 85 per cent.

The sale of Acme Fast Freight Inc. of the U.S., and reduction of the stake in the Nigerian Shipping Operations from 100 per cent to 25 per cent, both of which were problem activities, also assisted in the improvement. The group's New Zealand operations performed satisfactorily in a continuingly difficult economic climate. Canadian operations performed better than expected and the contribution to group results was aided by a strengthening of the Canadian dollar.

The overall results of the UK operations continued to reflect the increased investments and strengthened management introduced in 1977-78. Tighter monetary controls in Brazil resulted in a dampening of overall business activity, but TNT's operations performed well. The directors said that the results of the Bulkships group were satisfactory.

## PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

| | Date | Announcement last year | | Date | Announcement last year |
|---|---|---|---|---|---|
| *Akroyd and Smithers | May 9 | Int. 5.0 | LWT | Mar. 30 | Int. 3.555 |
| Allied Irish Banks | May 8 | Final 4.5 fcst. | *Laing (J.) | Apr. 30 | Final 1.869 |
| Armitage Shanks | June 8 | Final 2.32 | Land Securities | June 6 | Final 3.809 |
| *Avon Rubber | May 22 | Int. 4.0 | *Lloyds and Scottish | May 10 | Int. 1.7 |
| BOC Intnl. | May 24 | Int. 1.85 | *London and Northern | May 24 | Final 1.2 |
| *Bank of Ireland | May 17 | Final 10.0 | *Lucas Inds. | May 31 | Int. 1.5 |
| Bass Charrington | May 23 | Int. 1.8 | *MEPC | May 31 | Final 1.5 |
| Beecham | May 25 | Fin. 5.75 | *Marks and Spencer | May 8 | Final 2.644 |
| *Boots | May 24 | Sec. int. 1.9183 | Marley | May 31 | Int. 1.0 |
| *Brixton Estate | May 8 | Final 0.662 | McCorquodale | June 7 | Int. 5.75 |
| Brockhouse | May 22 | Int. 1.8 | *Metal Box | June 11 | Fin. 10.72 fcst |
| Brown Shipley | June 8 | Final 5.254 | *Mothercare | May 18 | Final 1.804 |
| *Bunzl Pulp and Paper | May 9 | Final 2.045 | Newman Inds. | May 31 | Final 4.5 forecast |
| Cap. and Counties | May 26 | Fin. 2.1105 fcst | Northern Foods | May 30 | Int. 1.5 |
| Carter Ryder | May 17 | Final 14.70812 | Prop of Hay's Wharf | May 25 | Int. 1.564 |
| Charter Consd. | June 6 | Final 5.2784 | *Ranks Hovis McDougall | May 15 | Int. 1.452 |
| Coalite and Chemical | June 1 | Final 1.8436 | *Ransome Hffmn. Pollard | May 22 | Int. 1.44 |
| *Coats Patons | May 15 | Final 2.0872 | Reed Intl. | May 31 | Final 2.0445 |
| Costain | May 8 | Final 5.081 | *Sainsb'y (J.) | May 9 | Final 3.667 |
| Courtaulds | May 25 | Final 3.7628 | *Scottish Nat. Trust | May 22 | Int. 1.6 |
| Debenhams | May 19 | Final 2.64 | *Sears Hldgs. | May 9 | Final 2.58 |
| De La Rue | June 9 | Final 5.3 | *600 Group | June 7 | Final 2.23 |
| Dupont | May 17 | Final 2.67115 | Smurfit (Jefferson) | Apr. 27 | Final 4.867 |
| Eastern Produce | May 24 | Final 3.03 | Tollemache & Cobbold | May 30 | Final nil |
| *European Ferries | May 8 | Final 1.8 | *Trafalgar House | May 15 | Int. 2.63 |
| *French Kier | May 14 | Final 1 | *Trust Union | May 16 | Final 2.0 |
| Grand Metropolitan | June 18 | Int. 1.75 | UBM | June 1 | Final 2.5142 |
| Guthrie | June 8 | Final 15.0 fcst. | UDS | May 4 | Final 2.25 |
| *Guinness (A.) | June 15 | Int. 2.31 | UKO Intnl. | June 3 | Final 5.87 |
| *Hall (Matthew) | May 9 | Final 5.822 | *Vaux Breweries | May 11 | Int. 1.495 |
| Hanson Tst. | June 1 | Int. 3.025 | Ward (T. W.) | June 8 | Int. 1.65 |
| Harrisons and Crosfield | June 7 | Fin. 17.53 fcst | Wedgwood | June 8 | Final 3.98 |
| *Heath (C. E.) | May 15 | Final 3.4291 | Whessoe | May 17 | Int. 1.97 |
| *Hepworth (J.) | May 8 | Int. 0.72 | Whitbread | May 17 | Final 2.7866 |
| International Paint | May 25 | Final 1.612 | *Wolverhampton & Dudley Brws. | May 31 | Int. 2.0 |
| Keyser Ullmann | May 24 | Final 0.67 | | | |

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

## RECENT ISSUES

### EQUITIES

| Issue Price p | Amount Paid Up | Latest Renunc. Date | 1979 High | 1979 Low | Stock | Closing Price p | + or − | Div. | Times Covered | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| £115 | F.P. | — | 180 | 127½ | †Baker (John) | 160 | +16 | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | F.P. | — | [illegible] | [illegible] | Bank Bridge 10p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | F.P. | 16/8 | 170 | 118 | Hunting Assoc. Defd. | 177 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid Up | Latest Renunc. Date | 1979 High | 1979 Low | Stock | Closing Price £ | + or − |
|---|---|---|---|---|---|---|---|
| [illegible] | F.P. | [illegible] | [illegible] | [illegible] | Cleveland (County of) Var. Rate 1984 | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | Eng. Assoc. Sterling Pf. Part. Red. Prf. | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | Grant (James) 10¾% Pref. | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | How'rd Wyndh'm 9% Cnv. Cum. Red. Prf. | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | ICFC 12½% Uns Ln 1992 | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | Lee Valley Water 9% Red. Prf. 1985 | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | Lyles (S.) 11% Cum. Pref. | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | MEPC 6½% Conv. Uns. Ln. 1995-2000 | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | Slough Ests. 6% Conv. 1991-94 | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | Trocoville 10¼% Pref. | [illegible] | [illegible] |

### "RIGHTS" OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1979 High | 1979 Low | Stock | Closing Price p | + or − |
|---|---|---|---|---|---|---|---|
| 200c | F.P. | [illegible] | [illegible] | [illegible] | Abercom Invs. | [illegible] | [illegible] |
| 12 | [illegible] | [illegible] | [illegible] | [illegible] | Armour Trust | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | Beatson Clark | [illegible] | [illegible] |
| 20 | [illegible] | [illegible] | [illegible] | [illegible] | Brent Chemicals | [illegible] | [illegible] |
| 20 | [illegible] | [illegible] | [illegible] | [illegible] | Crest Nicholson | [illegible] | [illegible] |
| 26½ | [illegible] | [illegible] | [illegible] | [illegible] | Davis & Metcalfe 'A' | [illegible] | [illegible] |
| 33 | [illegible] | [illegible] | [illegible] | [illegible] | Ellis & Goldstein | [illegible] | [illegible] |
| 185 | [illegible] | [illegible] | [illegible] | [illegible] | Johnson Matthey | [illegible] | [illegible] |
| 5p | [illegible] | [illegible] | [illegible] | [illegible] | Maddock | [illegible] | [illegible] |
| 54 | [illegible] | [illegible] | [illegible] | [illegible] | Norfolk Cap. Hotels | [illegible] | [illegible] |
| 4 | [illegible] | [illegible] | [illegible] | [illegible] | Park Place Invs. | [illegible] | [illegible] |
| 20 | [illegible] | [illegible] | [illegible] | [illegible] | Singlo Holdings | [illegible] | [illegible] |
| 175 | [illegible] | [illegible] | [illegible] | [illegible] | Tricentrol | [illegible] | [illegible] |
| 100 | [illegible] | [illegible] | [illegible] | [illegible] | Unicorn Inds. | [illegible] | [illegible] |

Renunciation date usually last day for dealing free of stamp duty. [illegible]

## Public Works Loan Board rates

Effective from April 28...

| Years | Quota loans repaid by EIP† | A‡ | at maturity§ | Non-quota loans A* repaid by EIP† | A‡ | at maturity§ |
|---|---|---|---|---|---|---|
| Up to 5 | 10¾ | 10¾ | 11 | 12 | 12 | 12 |
| Over 5, up to 10 | 11 | 11⅛ | 11⅛ | 12 | 12⅛ | 12⅛ |
| Over 10, up to 15 | 11⅛ | 11¼ | 11½ | 12⅛ | 12¼ | 12½ |
| Over 15, up to 25 | 11¼ | 11½ | 11¾ | 12¼ | 12½ | 12¾ |
| Over 25 | 11½ | 11¾ | 11¾ | 12½ | 12¾ | 12¾ |

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

CANADA'S OIL SANDS VENTURE

BY KEVIN DONE, ENERGY CORRESPONDENT

# Cold comfort for Alberta's oil industry

THE OIL sands and heavy oil deposits in Alberta, Canada, contain potentially recoverable reserves that could exceed even the massive oil reserves of Saudi Arabia. But recovery of the oil from the sands of Athabasca, Cold Lake, Wabasca, and Peace River, is presenting the oil industry and the Canadian authorities with formidable and costly problems.

For the last 10 months the partners in Syncrude, the world's first large-scale oil sands mining operation, have found themselves in the unenviable position of producing the most expensive crude oil in the world at a cost that is more than double present world selling prices, even when the large price increases recently imposed by OPEC members are taken into account.

Syncrude, a joint venture between four oil companies, (Imperial Oil, a subsidiary of Exxon of the U.S., Gulf Oil Canada, and Canada Cities Service, both subsidiaries of U.S. companies and Pan-Canadian Petroleum), the Canadian Federal Government and the Province of Alberta, began producing synthetic crude from its C$ 2.18bn mine near Fort McMurray in July last year.

Not surprisingly with such a large project the plant has been dogged with problems from the start of production. It is producing only about 50,000 barrels a day of crude, half the hoped-for level of output. Losses so far have been far greater than expected and the venture faces expensive repair work this year to replace equipment damaged during the unusually cold winter.

The ultimate success of the Syncrude venture is of vital importance to the future of Canadian oil supplies, because the mining of the oil sands holds out the most realistic long-term hope for the country limiting the present decline of production from conventional oil resources.

The Syncrude plants, construction of which began early in 1974, are designed to produce 125,000 barrels a day by 1982, a level of output similar to a small North Sea field. Output might be expanded later to 200,000 b/d.

Only one other similar plant, Great Canadian Oil Sands, operated by a subsidiary of Sun Oil of the U.S., had previously been built to exploit the oil sands of Alberta, from which nearly 200bn barrels could be ultimately recoverable as so-called synthetic crude. The sands hold an estimated 1 trillion (million million) barrels in place.

The Great Canadian Oil Sands plant operates on a much smaller scale than Syncrude at some 45,000 b/d. It has invariably lost money since it started production in 1967. Twelve years later it still has an accumulated deficit of C$35m after more than C$1.25bn of capital expenditure and operating costs since construction began in 1965. Later this month work will begin on an expansion programme to push production up to 58,000 b/d.

Syncrude's own operating problems began the day before the official opening of the plant in September. A fire broke out in one of the processing units. Optimistically the commissioning of the second processing train was brought forward about six months to the autumn, but the success of the move was short-lived. Syncrude produced to the target of 100,000 b/d of oil for a few days only before Christmas, then equipment in one of the processing units failed again.

Since Christmas, however, the biggest problems have been encountered in the mining operations. The oil sands are surface-mined from an area that will eventually cover some 10 square miles.

They are located about 50 ft below the surface in a seam that averages 100 ft in depth. The sands contain 11 per cent bitumen and this is separated out and processed into a synthetic crude that consists mainly of naphtha and gas oil.

The mining equipment was designed to withstand temperatures of more than −40 degrees centigrade when the ground freezes solid, but it failed to cope with the rigours of last winter, the coldest for many years.

Syncrude is now facing repair costs of C$60m-C$70m for more than 500 different items of equipment if it is to have the plant ready for next winter. It is likely to try to claim many of these costs back from the original equipment manufacturer.

The company is hoping to get back to 100,000 b/d by early June, but for the moment the plant is operating at less than 50 per cent efficiency and with very high fixed costs the losses to date have been bigger than expected.

Since last July the cost of producing the synthetic crude has averaged U.S.$45 a barrel, while it has been selling at about $17 a barrel. Syncrude is aiming at a final production cost of $10 a barrel. But this could prove highly optimistic, and the present production cost is still well in excess of $30 a barrel.

Over the 25-year-life of the plants the project would break even at a production cost of $17 a barrel, according to Mr. John Lynd, vice-president of mining operations, but this is highly dependent on oil prices rising much more quickly than they have in the last five years.

According to Mr. Bob Peterson, a vice-president of Imperial Oil, the biggest shareholder in Syncrude: "We hope this target is achieveable, but there are still a lot of snakes to be killed out there."

Whether the project is worth the effort in financial terms is still debatable. It has an estimated rate of return over its full life of 10-11 per cent (Canadian savings bonds pay 9.5 per cent) but this was down as low as 7 per cent at an earlier stage of construction.

At least one member of the main Exxon Board admits that it is a marginal project, but says that oil companies are finding investment opportunities in new oil production capacity around the world increasingly difficult to find.

The actual rate of return for the different oil companies in the project is highly dependent on the tax regime. Various tax credits mean that Imperial's rate of return, for instance, is improved to about 15 per cent. The tax credits mean that in effect the Canadian taxpayer is putting up about 50 per cent of the costs and improving the oil companies' returns by some 4 percentage points.

On top of this the project was only able to go ahead in 1974—when one partner, Atlantic Richfield of the U.S., dropped out—because the federal government and provincial governments of Alberta and Ontario took an equity interest. Alberta has an option to take an extra 5-20 per cent stake in the project by September 1, which could give it a total interest of up to 40 per cent. In January Ontario sold out its 5 per cent to Pan-Canadian Petroleum for $160m, having put some $115m into the project.

Despite the fact that senior members of Exxon consider Syncrude to be a marginal project, the company, through its 70 per cent owned subsidiary Imperial Oil, is considering a second unconventional oil project in Canada—the production of heavy oil through the injection of steam at Cold Lake. This project is estimated to cost up to $5bn for a production over 25 years of 141,000 B/D. Approval for the project is hoped for by the end of the year with production beginning in 1986-1987, but it will only go ahead when Imperial has found some partners to share the costs.

On top of this project a nine-company consortium, the Alsands group, headed by Shell, has proposed a 125,000 B/D plant on the Athabasca oil sands that would use conventional surface mining technology. This plant would cost an estimated $4bn and go on-stream in 1985-86, but as yet the partners are still negotiating the tax regime for the plant with the authorities.

If exploitation of the oil sands and heavy oil can finally be shown to be a profitable venture it has been predicted by some in the industry that after 1985-86 one new plant could come on stream every four to five years using both mining and in-situ steam injection methods. If successful, they could unlock similar reserves in other countries such as Venezuela, Colombia and Malagasy.

# WORLD STOCK MARKETS

# Fresh early Dow fall on interest rate fears

INVESTMENT DOLLAR PREMIUM.
$2.60 to £1—55½% (57%)
Effective $2.0780 24½% (25½%)

AS INVESTORS continued to worry about rising interest rates and possible further credit tightening moves by the Federal Reserve, Wall Street fell afresh in fairly active dealings yesterday morning, although some bargain hunting was evident by mid-session.

The Dow Jones Industrial Average weakened 6.76 more to 840.78 at 1 pm, while the NYSE All Common Index lost a further

Closing prices and market reports were not available for this edition.

66 cents to $56.10 and declines predominated over gains in the ratio of about seven-to-one. Turnover amounted to 20.89m shares, against last Friday's 1 pm level of 19.96m.

Analysts said some investors fear a boost in the Discount Rate, while additionally, investors were discouraged by the gasoline shortage in California and comments from President Carter that the problem could spread to other parts of the country.

Vacation-related issues, such as Gaming and Hotel/Motel stocks were weak. Caesars World fell 2⅝ to $72¼, Bally Manufacturing 1⅞ to $75⅜ ex-dividend and Playboy 1½ to $20¼. Ramada Inns lost ⅞ to $12¾, Hilton Hotels 1½ to $28⅞ and Holiday Inns 1½ to $18⅞.

Bankamerica eased ⅜ to $25 in active trading. A block of 190,000 shares were moved at $25½.

Charter Company, which is negotiating to buy Carey Energy and was the subject of Press comment, retreated 1⅞ to $16⅞.

Fairchild Camera moved against the trend, gaining $1 to $55½. Gould has raised its bid price for 2.5m Fairchild shares to $57 each from $54 previously. Gould shed ⅜ to $23¼.

Among depressed Computer issues, IBM reacted 1¾ to $309¼ and the new shares ⅜ to $78. Honeywell dipped ⅞ to $65¼, Texas Instruments $1 to $82⅜ and Datapoint 2½ to $73¼.

Recently-strong Oil issues also lost ground. Texaco eased ⅛ to $25⅞. Exxon ⅜ to $52⅞ and Superior Oil $2 to $385.

THE AMERICAN SE Market Value Index sustained a sharp setback of 3.29 to 179.26 at 1 pm on volume of 2.54m shares (2.37m).

Resorts International "A" receded 1⅞ to $44⅞ despite higher April daily net winnings. Volume leader Tubos de Acero fell 3½ to $32⅞, Acquitaine of Canada $3 to $26 and Canadian Superior Oil 1⅞ to $98⅛.

Dome Petroleum, which received 547,183 Dome Mines shares in its bid for 650,000 at $120 apiece, lost 2⅞ to $117¼. Dome Mines rose $4 to $102⅞ on the New York Stock Exchange.

## Canada

Markets in Canada also put on a depressing performance in active early dealings yesterday, although Golds provided a buoyant sector, rising 31.7 to 1,695.1 on index at noon.

The Toronto Composite Index receded 10.0 to 1,475.2, while Oils and Gas declined 30.1 to 2,220.8, Metals and Minerals 9.6 to 1,266.3, Banks 2.14 to 303.11 and Utilities 1.40 to 222.05.

Inco, the most active Toronto issue on 195,160 shares, rose ⅛ to C$25¼. The company has reached a tentative contract agreement with its 11,700 Sudbury, Ontario, workers.

Bow Valley lost ⅜ to C$27¼. The company has denied takeover rumours.

## Tokyo

After an early fresh improvement, share prices mostly retreated to close lower for choice on balance as investors exercised caution following the market's sharp rise of recent days.

The Nikkei-Dow Jones Average lost 32.54 to close at 6,253.56, while the Tokyo Stock Exchange index gave up 2.03 at 452.34. Trading was much quieter, with about 300m shares changing hands, against last Friday's 550m.

Resources shares, which rose initially, led the decline on heavy profit-taking and other liquidations towards the close. Nippon Oil, after rising to Y1,340, reacted to Y1,270, down 20 on the day. Mitsui Mining relinquished Y12 at Y568 and Dowa Mining Y6 at Y240.

Export-orientated stocks retreated in the wake of the sharp fall on Wall Street last Friday, while large-capital issues, Chemicals, Shipping Lines and Trading Houses also finished lower.

Teijin, Toray and some other Synthetic Fibres rose at the outset on anticipated good earnings prospects, but ended with irregular movements on the day.

Communications and some speculatives managed to close higher against the trend.

## Germany

There was a widespread retreat by share prices, driving the Comerzbank index down 6.0 to a 1979 low of 769.7.

Traders blamed the fall on the continuing weakness of the Bond market, where higher interest rates seem inevitable, according to observers.

In Chemicals, BASF receded DM 1.30 and Bayer DM 1.10, while Degussa shed DM 1.50.

Among Stores, Kaufhof declined DM 3.40, Karstadt DM 3.00 and Neckermann DM 2.70.

Deutsche Bank slipped DM 3.00 and Dresdner Bank DM 1.50, while among the large Bavarian Banks, Bayerische Vereinsbank lost DM 2.50.

Volkswagen reacted DM 3.50, Daimler DM 2.00 and BMW DM 1.00. The falls came despite week-end Press reports reaffirming that major motor manufacturers had record new car sales and production in March.

Electricals fared better than most, with AEG off only 10 pfennigs, Siemens losing 90 pfennigs and Brown Boveri gaining 50 pfennigs.

Public Authority Bonds were up to 60 pfennigs lower, while the Bundesbank purchased DM 15.1m nominal of paper after buying DM 1.8m last Friday. Mark Foreign Loans also weakened.

## Paris

With last Friday's increase in petrol prices having a dampening effect on sentiment, stock prices generally declined in a moderate business.

Brokers said a rise in the Call Money rate to 6⅞ per cent from 6¾ might also have sapped some enthusiasm, pointing out that gains had outstripped declines last Friday when the rate had fallen from Thursday's 7⅛ per cent level.

Apart from generally firmer Oils and narrowly mixed Portfolios, decline predominated in all sectors.

Significantly, lower issues included Locafrance, Guyenne de Gascogne, Ferodo, Generale d'Enterprise, Michelin, Poclain, Borel, Prenatal, Thomson-CSF, Chiers Roussel-Uclaf, Generale des Eaux, Dollfus-Mieg, Europe I, Carrefour, BIC, Dumez and Maisons Phoenix.

Among shares rising against the trend were Cofimeg, Alsacienne de Supermarche, Redoute and Pompey.

## Hong Kong

Market further improved in moderate activity, leaving the Hang Seng index 4.97 higher at 550.24.

Hong Kong Bank put on 10 cents to HK$13.70, Hong Kong Electric 2.5 cents to HK$4.75, Hong Kong Land 5 cents to HK$8.20 and Hong Kong Wharf 25 cents to HK$35.00.

Jardine Matheson firmed 20 cents to HK$12.10, helped by some Overseas demand, while Hutchison Whampoa and Swire Pacific gained 5 cents each to HK$4.30 and HK$8.35 respectively.

City and Urban Properties in which trading resumed yesterday, closed at HK$1.70 against its last traded price of HK$1.48 last Thursday morning prior to suspension.

Trading was suspended on Thursday at the company's request ahead of the announcement that Tai Cheung Properties is to offer HK$1.77 a share for the approximate 80 per cent of City and Urban's equity that it does not already own.

## Australia

Stocks finished on a mixed note after slow trading, with operators mainly waiting to see whether the London market will show fresh strength on the Conservative election victory and draw UK interest away from Australian markets.

Among Minings, however, Central Norseman Gold advanced A$2.00 to A$23.00 on the higher gold price.

MIM, A$3.34, recovered 4 cents of last Friday's reaction of 7 cents, but CRA declined 7 cents to A$3.65, Associated Minerals 30 cents to A$1.40 and Peko-Wallsend 6 cents to A$5.30.

Bank of NSW gained 4 cents more to A$3.64 and National Bank 5 cents to A$2.50 ahead of their interim results, due on Friday.

Comalco closed 5 cents up at A$3.15 on a bullish broker's report, while CSR rose 5 cents to A$3.78 and Carlton United Brewery also 5 cents to A$1.85.

Thomas Nationwide Transport were a cent firmer at A$1.39 awaiting third-quarter results. Jennings, in Buildings, however, receded 4 cents to 80 cents.

## Amsterdam

An easier bias prevailed yesterday, with Dutch Internationals all lower except for Philips Lamp, which closed Fl 0.10 firmer ahead of its first-quarter results, due today.

Elsewhere resisting the downtrend were KNSM and OCE-Van der Grinten, which gained Fl 3.00 apiece.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax.
♥ Pts 500 denom. unless otherwise stated.
♣ DKr 100 denom. unless otherwise stated.
◆ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. $ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

# Indices

## NEW YORK—DOW JONES

| | May 4 | May 3 | May 2 | May 1 | Apr. 30 | April 27 | 1979 High | 1979 Low | Since Compil'tn High | Since Compil'tn Low |
|---|---|---|---|---|---|---|---|---|---|---|
| ◆ Industr'ls | 847.54 | 857.59 | 855.51 | 855.51 | 854.90 | 856.64 | 878.72 (10/4) | 807.00 (27/2) | 1051.70 (11/1/73) | 41.22 (2/7/32) |
| H'me B'nds | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] (2/2) | [illegible] (4/5) | — | — |
| Transport. | 226.24 | 228.38 | 227.68 | 229.38 | 229.06 | 230.86 | 235.25 (10/4) | 205.78 (27/2) | 279.88 (7/2/69) | 13.23 (8/7/32) |
| Utilities | 100.44 | 100.81 | 100.85 | 100.91 | 100.98 | 101.18 | 104.84 (6/4) | 98.10 (2/1) | 163.32 (20/4/69) | 10.58 (28/4/42) |
| Trading vol 000's | 30,770 | 30,350 | 30,490 | 31,160 | 26,560 | 29,870 | — | — | — | — |

◆ Day's high 852.23 low 845.89

| Ind. div. yield % | Apr. 27 | Apr. 20 | Apr. 12 | Year ago (approx) |
|---|---|---|---|---|
| | 5.78 | 5.78 | 5.88 | 5.58 |

## STANDARD AND POORS

| | May 4 | May 3 | May 2 | May 1 | Apr. 30 | April 27 | 1979 High | 1979 Low | Since Compil'tn High | Since Compil'tn Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Indust'ls | 112.59 | 113.88 | 115.82 | 115.75 | 115.83 | 115.82 | 116.69 (9/1) | 107.08 (27/2) | 134.54 (11/1/73) | 3.52 (30/6/32) |
| Composite | 100.88 | 101.81 | 101.72 | 101.68 | 101.76 | 101.80 | 103.34 (10/4) | [illegible] (27.2) | [illegible] (11/1/73) | [illegible] (1/6/32) |

| | May 2 | April 25 | Apr. 18 | Year ago (approx). |
|---|---|---|---|---|
| Ind. div. yield % | 5.12 | 5.08 | 5.10 | 5.02 |
| Ind. P/E Ratio | 8.65 | 8.71 | 8.60 | 9.13 |
| Long Gov. Bond Yield | 9.20 | 9.11 | 9.04 | 8.39 |

## N.Y.S.E. ALL COMMON

| May 4 | May 3 | May 2 | May 1 | 1979 High | 1979 Low |
|---|---|---|---|---|---|
| 56.76 | 57.38 | 57.36 | 57.34 | 58.18 (10/4) | 53.88 (27/2) |

Rises and Falls

| | May 4 | May 3 | May 2 |
|---|---|---|---|
| Issues Traded | 1,895 | 1,878 | 1,863 |
| Rises | 364 | 685 | 651 |
| Falls | 1,082 | 700 | 708 |
| Unchanged | 449 | 493 | 504 |
| New Highs | — | 36 | 42 |
| New Lows | — | 33 | 26 |

| MONTREAL | May 4 | May 3 | May 2 | May 1 | 1979 High | 1979 Low |
|---|---|---|---|---|---|---|
| Industrial | 248.78 | 248.48 | 248.55 | 247.85 | 258.31 (27/3) | 219.19 (2/1) |
| Combined | 251.07 | 251.55 | 251.80 | 251.41 | 251.80 (2/5) | 225.80 (2/1) |
| TORONTO Composite | 1485.2 | 1487.8 | 1491.1 | 1487.2 | 1491.1 (2/5) | 1315.3 (2/1) |
| JOHANNESBURG Gold | 268.3 | 269.8 | 268.6 | 268.2 | 290.7 (7/2) | 228.4 (17/4) |
| Industrial | 323.8 | 321.8 | 319.7 | 318.7 | 323.8 (4/5) | 278.5 (2/1) |

| | May 7 | Previous | 1979 High | 1979 Low |
|---|---|---|---|---|
| Australia (¶) | 589.62 | 590.10 | 597.68 (18/3) | 545.72 (2/1) |
| Belgium (‖) | 107.27 | 108.98 | 108.08 (3/5) | 98.80 (3/1) |
| Denmark (**) | 96.74 | 96.71 | 96.74 (7/5) | 88.32 (8/1) |
| France (††) | 80.8 | 81.1 | 81.8 (2/5) | 71.5 (15/2) |
| Germany (‡‡) | 769.7 | 775.70 | 839.6 (16/1) | 769.7 (7/5) |
| Holland (§§) | 77.1 | 77.8 | 85.8 (24/1) | 75.8 (21/3) |
| Hong Kong (¶¶) | 550.24 | 545.27 | 563.30 (5/2) | 493.83 (2/1) |
| Italy (‖‖) | 76.69 | 76.22 | 76.46 (26/3) | 68.38 (2/1) |
| Japan (a) | 452.34 | 454.37 | 462.97 (31/1) | 436.22 (10/4) |
| Singapore (b) | 396.61 | 390.49 | 396.61 (7/5) | 348.34 (23.2) |

| | May 7 | Previous | 1979 High | 1979 Low |
|---|---|---|---|---|
| Spain (d) | (c) | 106.44 | 111.86 (8/3) | 93.03 (12/1) |
| Sweden (e) | 371.20 | 399.87 | 401.34 (6/2) | 353.48 (27/4) |
| Switzerld (f) | 326.7 | 326.8 | 391.1 (2/5) | 294.0 (3/1) |

Indices and base dates (all base values 100 except NYSE All Common—50 Standards and Poors—10 and Toronto 300—1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 29/12/78. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

## FRIDAY'S ACTIVE STOCKS

| | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Storage Tech. | 486,800 | 40 | −3⅛ |
| American Motors | 365,600 | 7⅛ | −⅛ |
| Fairchild Camera | 353,000 | 54½ | +1½ |
| Ramada Inns | 351,200 | 13⅝ | −⅛ |
| Gen. Tel. Elect. | 346,300 | 27⅝ | −⅛ |
| Am. Home Prod. | 335,000 | 26⅝ | −⅛ |
| Sears Roebuck | 333,000 | 19⅝ | −⅛ |
| Gen. Pub. Util. | 325,000 | 9⅞ | −⅛ |
| U.S. Home | 314,400 | 13⅝ | +⅛ |
| Santa Fe Inter. | 313,200 | 21⅞ | −1½ |

## BASE LENDING RATES

| | | | |
|---|---|---|---|
| A.B.N. Bank | 12 % | ■ Hambros Bank | 12 % |
| Allied Irish Banks Ltd. | 12 % | ■ Hill Samuel | §12 % |
| Amro Bank | 12 % | C. Hoare & Co. | †12 % |
| American Express Bk. | 12 % | Julian S. Hodge | 13 % |
| A P Bank Ltd. | 12 % | Hongkong & Shanghai | 12 % |
| Henry Ansbacher | 12 % | Industrial Bk. of Scot. | 12 % |
| Associates Cap. Corp. | 13 % | Keyser Ullmann | 12 % |
| Banco de Bilbao | 12 % | Knowsley & Co. Ltd. | 13½ % |
| Bank of Credit & Cmce. | 12 % | Lloyds Bank | 12 % |
| Bank of Cyprus | 12 % | London Mercantile | 12 % |
| Bank of N.S.W. | 12 % | Edward Manson & Co. | 13 % |
| Banque Belge Ltd. | 12 % | Midland Bank | 12 % |
| Banque du Rhone et de la Tamise S.A. | 12½ % | ■ Samuel Montagu | 12 % |
| Barclays Bank | 12 % | ■ Morgan Grenfell | 12 % |
| Bremar Holdings Ltd. | 13 % | National Westminster | 12 % |
| Brit. Bank of Mid. East | 12 % | Norwich General Trust | 12 % |
| ■ Brown Shipley | 12 % | P. S. Refson & Co. | 12 % |
| Canada Perm't Trust | 12 % | Rossminster | 12 % |
| Cayzer Ltd. | 12 % | Royal Bk. Canada Tst. | 12 % |
| Cedar Holdings | 12 % | Schlesinger Limited | 12 % |
| ■ Charterhouse Japhet | 12 % | E. S. Schwab | 13 % |
| Choulartons | 12 % | Security Trust Co. Ltd. | 13 % |
| C. E. Coates | 12 % | Shenley Trust | 14 % |
| Consolidated Credits | 12 % | Standard Chartered | 12 % |
| Co-operative Bank | *12 % | Trade Dev. Bank | 12 % |
| Corinthian Secs. | 12 % | Trustee Savings Bank | 12 % |
| Credit Lyonnais | 12 % | Twentieth Century Bk. | 13 % |
| The Cyprus Popular Bk. | 12 % | United Bank of Kuwait | 12 % |
| Duncan Lawrie | 12 % | Whiteaway Laidlaw | 12½ % |
| Eagil Trust | 12 % | Williams & Glyn's | 12 % |
| English Transcont | 12 % | Yorkshire Bank | 12 % |
| First Nat. Fin. Corp. | 14 % | | |
| First Nat. Secs. Ltd. | 14 % | | |
| ■ Antony Gibbs | 12 % | | |
| Greyhound Guaranty | 12 % | | |
| Grindlays Bank | ‡12 % | | |
| ■ Guinness Mahon | 12 % | | |

■ Members of the Accepting Houses Committee.
* 7-day deposits 9½%, 1-month deposits 9¾%.
† 7-day deposits on sums of £10,000 and under 9½%, up to £25,000 10% and over £25,000 10½%.
‡ Call deposits over £1,000 9½%.
§ Demand deposits 9½%.

## NEW YORK

## CANADA

## EUROPEAN OPTIONS EXCHANGE

## GERMANY ◆

## TOKYO ¶

## AMSTERDAM

## BRUSSELS/LUXEMBOURG

## SWITZERLAND ◆

## COPENHAGEN ♣

## MILAN

## VIENNA

## AUSTRALIA

## STOCKHOLM

## OSLO

## JOHANNESBURG

## PARIS

## SPAIN ♥

## BRAZIL

INTERNATIONAL BONDS

BY JOHN EVANS

# Winter returns to the markets

A TOUCH of winter hibernation among investors returned to the International bond markets last week, matching the unseasonal snow and freezing temperatures in much of Europe.

In the main market sectors U.S. dollars, Deutsche-Marks and Swiss francs—prices drifted lower again. In dollar bonds, a poor reception was given to most of the latest batch of new issues, reflected in deep after-market pricing discounts.

Rising short-term U.S. interest rates, culminating in the increase in the Chase Manhattan and Citibank prime rates to 11¾ per cent, and inflation concerns, provided an unsettling background for the dollar market. But the glut of new issues announced in April broke the market's morale by last week.

New Eurobond issue volume surged to $1.76bn last month, in a list including many tightly-priced offerings. By late last week, some banks were suggesting that the dollar primary market may have to close down completely in order to allow a breathing space, despite near record yields being offered on a wide range of issues.

The list of casualties was impressive. The $150m Norway 9½ per cent issue was priced by Deutsche Bank at 100½, and then dropped to 98¼-½. Some senior traders could not recall a precedent for a prestige bond being priced at a premium, then moving so quickly to such a sharp after-market discount.

The 20-year 10 per cent issue for Hydro Quebec at 99 was down to 96¼-½, while the $40m Avco 10¼ issue was priced at par and then slid to 97¼-¾. The other Avco offering, for C$25m bearing 10¼ per cent, was priced at 99¼, to yield 10.40 per cent to maturity.

The coupon on the $50m Canadian Pacific bonds via Orion Bank was increased to 9¾ per cent from the original 9½, with pricing at par. After this adjustment, an apparently satisfactory increase in subscription levels started to emerge.

The other Orion deal, the $20m U.S. Leasing International 10 per cent offering, was priced at 99½ to yield 10.13 per cent to maturity.

Among newly announced straight-debt offerings, Occidental Petroleum is planning to issue $50m of 10¼ per cent bonds with a five-year bullet maturity. The manager is Dean Witter Reynolds International.

Occidental, fresh from its latest fund-raising in Kuwaiti dinars, clearly hopes the terms — described as being priced right on the market—will flush out investor support. Among existing Oxy dollar debt, the 8½ per cent issue of 1983 is currently yielding 10¼ per cent.

Of the new issue side, in fact, floating rate notes are now being left to make the running. Banco de la Provincia de Buenos Aires intends to offer a $30m optional redemption FRN through a group led by Bankers Trust International.

The issue matures in 1986, but can be redeemed at holders' option in 1983. The notes, expected at par, will bear interest at ¾ point above Libor, with a minimum coupon of 7¾ per cent.

Long-term Credit Bank of Japan is offering $50m of 10-year notes, expected at par, carrying interest at the higher of either ¼ point over or 5¼ per cent. Issue manager is Credit Lyonnais.

A mixed reception is being given to the innovative convertible FRN from the Finnish power agency TVO. In grey market dealings, this $30m drop-lock offering was available less 1¼-1½. The managers, Crédit Suisse First Boston, considers the bonds are moving satisfactorily.

Some analysts believe that the fundamental investor reservation over the issue hinges on the fact that short-term U.S. interest rates will eventually almost certainly come down faster than medium to long-term bond yields. This means that the 9 per cent coupon would be automatically triggered when corresponding bond yields for comparable issues will be higher, pointing to an immediate discount for TVO.

In Deutsche-Marks, prices retreated steadily all week, with an increasing converging of yields available on foreign and domestic DM issues. Five-year domestic paper is yielding in the region of 7½ per cent, and German traders are forecasting 8 per cent returns on 10-year maturities shortly.

The recent DM100m issue for Barclays Bank Overseas dropped to as low as 95¼. The DM 10-year bond for the Republic of Argentina, with a 7½ per cent coupon, was unofficially indicated three points off at one stage last week, although lead manager Deutsche Bank subsequently priced the issue at 98½.

The foreign issues sector in Swiss francs fared no better. The Republic of Finland postponed indefinitely its plans to raise a SwFr 80m 4½ per cent 10-year bond via Union Bank of Switzerland.

The offering was the second planned Swiss issue by a foreign borrower to be offered after the voluntary temporary halt to new issue activity by the major Swiss banks.

The first issue to come out is the Sw Fr 100m SNCF bonds bearing 4½ per cent and priced at par. Subscriptions opened on Friday and close tomorrow. Syndicate leader Soditic reported a good demand for participations in the pre-public subscription period, but the battle is not yet won.

Euratom — Europe's nuclear energy agency—should be the next name in the Euro-French franc bond market, with an issue of FFr 150m through Société Générale.

## CURRENT INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Lead manager | Offer yield % |
|---|---|---|---|---|---|---|---|
| U.S. DOLLARS | | | | | | | |
| ‡Avco | 40 | 1987 | ¶ | 10¼ | 100 | Kidder Peabody | 10.25 |
| ‡**Man. Hanover | 100 | 1994 | 15 | 5¼/5¼@ | 100 | Man. Hanover Ltd. | 5.32@ |
| ‡Norway | 150 | 1984 | 5 | 9½ | 100½ | Deutsche Bank | 9.43 |
| ‡Canadian Pacific | 50 | 1989 | 8.9 | 9¾ | 100 | Orion | 9.75 |
| ‡US Leasing Int. | 20 | 1984 | 5 | 10 | 99½ | Orion | 10.13 |
| §Nitto Electric | 20 | 1994 | — | 6 | 100 | Nomura Europe | 6.09 |
| †TVO (g'teed Finland) | 30 | 1991 | ¶ | — | 100 | Crédit Suisse First Boston | — |
| Genstar Ltd. | 50 | 1989 | ¶ | 10 | * | Soc. Gen. de Banque, Wood Gundy | * |
| †Jugobanka | 50 | 1989 | 8.5 | 8@ | 100 | Daiwa Europe, BNP | 8.16@ |
| †Banco Prov. B. Aires | 30 | 1983/86 | — | 7¾@ | 100 | Bankers Trust Int. | 7.90@ |
| Occidental | 50 | 1984 | 5 | 10¼ | * | Dean Witter Reynolds | * |
| D-MARKS | | | | | | | |
| ‡Argentina | 150 | 1989 | 8 | 7½ | 98½ | Deutsche Bank | 7.725 |
| §Seiyu Stores | 100 | 1985 | — | 5½ | 100 | WestLB | * |
| ‡**Ireland | 75 | 1987 | 8 | 7½ | 100 | Commerzbank | 7.5 |
| ‡**Nippon Housing Loan Co. (g'teed Sanwa Bk.) | 20 | 1984 | 5 | 6¾ | 99¾ | Bay. Vereinsbank | 6.81 |
| CANADIAN DOLLARS | | | | | | | |
| ‡Avco | 25 | 1986 | 7 | 10¼ | 99½ | Kidder Peabody | 10.41 |
| SWISS FRANCS | | | | | | | |
| ‡**Argentina | 35 | 1983 | n.a. | 5 | 100 | Swiss Bank Corp. | 5.0 |
| LUXEMBOURG FRANCS | | | | | | | |
| ‡**AmRo | 250 | 1986 | ¶ | 8¼ | 99½ | Ban. Gen. du Luxem. | 8.47 |
| KUWAITI DINARS | | | | | | | |
| ‡Occidental | 7 | 1987/91 | — | 8¼ | 99½ | KIIC | 8.35 |
| UNITS OF ACCOUNT | | | | | | | |
| City of Copenhagen | 25 | 1991 | ¶ | 8¼ | 99½* | Kredietbank Int. | * |

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. @ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. Note: Yields are calculated on AIBD basis.

INTERNATIONAL LOANS

BY OUR EUROMARKETS STAFF

# Trading syndicated Euro-credits

RAPID strides are being made in broadening the marketability of syndicated Eurocurrency loans through a system of sub-participation certificates, bankers report.

Allowing a much wider range of banks to gain access to syndicated loans, the method now developing in London enables a loan to be sold on at any time through its life.

At the same time, the certificates have obvious benefits to the banks selling the loans on to other parties. Banks can alter the composition of their loan portfolios, generate extra profit and avoid problems regarding prudential lending limits to any particular borrower.

Loans are usually placed in the Euromarket through a comprehensive process of syndication, involving a wide range of banks acting as lead managers, co-managers or more junior participants. Once the loan is fully underwritten, and then syndicated, the placement process has ended and the banks hold the loan until maturity.

Sub-participation takes the process an important stage further.

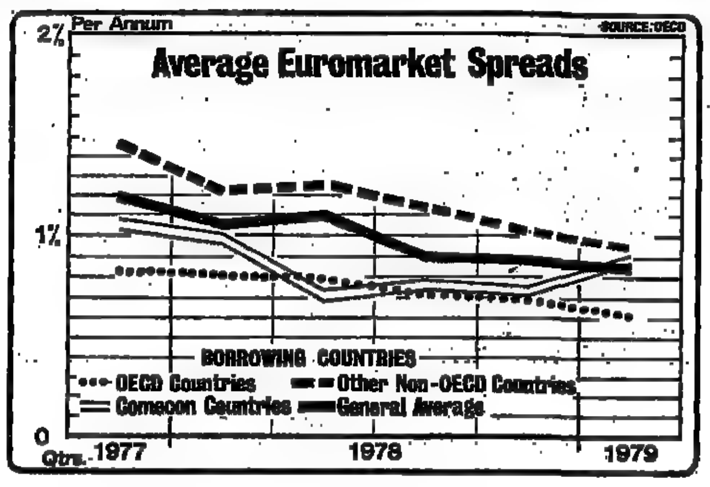
One of the managing banks can then decide — at any time after syndication has been completed — to sell all or part of its loan allocation to another bank through the issue of loan certificates.

If the selling bank has been a syndication manager, it obviously enjoys the full benefit of the various loan management and participation fees (since these do not have to be passed on in the sub-participation operation), and can reduce its holding in the loan to a minimum.

This can free the bank to take a large management position in the next big loan from that particular country, without running into balance-sheet limits.

Ironically, another source of profitability is represented by the current general decline in Euromarket lending margins. A bank can organise a loan for a particular borrower at, say, ¾ per cent margin over Libor. The borrower may be able to return to the market at some later date and at an improved spread of ½ per cent. The bank involved in the original loan can then decide to sell sub-participations in this loan, but at the going ½ per cent rate, retaining an ongoing spread of ¼ per cent without any commitment to provide funds.

Generally, however, banks aim to make around an ⅛ point upwards return in offering certificates.




For the smaller Euromarket bank, the system has other advantages. Such banks, faced with the problem of having to raise substantial underwriting sums in order to gain a prestigious management position in a loan syndication, may decide to pre-sell sub-participations and thus effectively reduce their underwriting commitments.

Also, some Japanese banks are understood to be using the system to circumvent Japanese Ministry of Finance guidelines which seek to limit their participation in syndicated loans. Japanese banks are now subject to the official request that they limit their participation to one-third of the total amount in any specific loan, when the proposed interest spread is at a record-breaking low.

Sub-participations are thus used as a discreet method of ensuring that the Japanese banks can increase their share of a loan to a particularly favoured borrower above the one-third cut-off point, with having to appear formally on the loan "tombstone."

As a rule, certificates are sold on by a bank on a non-recourse basis. The buying bank has to turn to the ultimate borrower for redress in the event of a failure or a default on the loan. Despite some reservations the certificates are gaining greater popularity among medium-sized to smaller Euromarket banks. Sub-participations are routinely available for a wide range of borrowing countries.

U.S. BONDS

BY STEWART FLEMING

# Further falls expected

BOND PRICES fell in New York last week as the markets adjusted to the stricter monetary policy initiated by the federal reserve and to the record yields which the U.S. Treasury had to pay to float $4.25bn of new 10-year notes and 30-year bonds.

After the abrupt decline in bond prices, there were some hopes that yields might now have reached a plateau. But there are few investors who are confident that this will be anything other than a temporary phase. The common view is that further declines in bond prices lie ahead.

For one thing, there is mounting evidence of the virulence of inflation, and this is leading to further increases in the inflation forecasts of economists. At the beginning of the year many private economists were predicting inflation at around 8-9 per cent in 1979. Now, increasingly, the forecasts are moving up into the 9-10 per cent range.

The latest support for this pessimistic outlook came last week with the publication of the Producer (or wholesale) Price Index for April. On the face of it, the data, an increase of 0.9 per cent for the month or an annual rate of 10.8 per cent, indicated some slowing in the rate of price increases from February and March's fevered pace. But seasonal falls in food prices accounted for the decline, while non-food prices showed a further acceleration. There were, too, the first signs of rising energy costs filtering through to the index.

Just as the inflation outlook continues to depress the long-term bond markets, so pressures are still building which could force short-term interest rates higher.

Loan demand at the nation's major banks has been particularly strong. J. Henry Schroder Bank and Trust estimates that so far this year commercial and industrial loans have risen by over $6bn at weekly reporting banks, and non-bank dealer commercial paper has expanded by a similar amount.

Last week's moves by Chase Manhattan and Citibank to increase the prime rate to 11¾ per cent, the rate already predominant in the banking industry, is generally attributed to the strength of loan demand.

The bank's funding requirements to meet these credit demands have not been reflected in the domestic Certificate of Deposit market, partly because of an increased dependence on foreign branches for funds. Salomon Brothers estimates that domestic Certificate of Deposit liabilities have declined by $10bn since the end of 1978, but other liabilities, which include net borrowings from branches overseas, have risen by $14bn.

## Innovatory loan for Montreal

COMMUNAUTE URBAINE de Montreal has raised a 12-year $100m loan, writes *Rosemary Burr*. The credit was managed by the Royal Bank of Canada, which also acted as agent on the transaction.

The deal was priced over both London inter-bank rates and the Canadian prime rate. It is thought to be the first time that a borrower has been given the option to switch between a Canadian and U.S. dollar credit in this form.

In addition, this is believed to be the first Canadian credit in the current cycle to have a final maturity of 12 years.



## FT INTERNATIONAL BOND SERVICE

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Bayer Int. F. XW 7¾ 89 | 200 | 83½ | 83⅞ | −0½ | −0½ | 9.94 |
| CECA 9¼ 84-89 | 50 | 95½ | 96 | 0 | −0⅛ | 9.85 |
| Canada 9 83 | 400 | 97¾ | 97⅞ | −0⅛ | −0⅛ | 9.60 |
| Canada 9¼ 98 | 350 | 96¼ | 96⅛ | +0⅛ | −0⅛ | 9.96 |
| Comalco Inv. E. 10¼ 91 | 40 | 99¼ | 99¾ | 0 | −0⅛ | 10.45 |
| Dow Chem. O/S 9¾ 94 | 200 | 97⅛ | 97⅝ | 0 | −0⅛ | 9.98 |
| EIB 9¼ 99 | 125 | 93 | 93½ | −0¼ | −1½ | 10.16 |
| EIB 9⅝ 98 | 150 | 98⅞ | 99⅜ | −0¼ | −0⅛ | 10.09 |
| EIB 9⅞ 99 | 100 | 98⅞ | 99⅜ | −0¼ | −0⅛ | 10.25 |
| Export Dv. Cpn. 9.85 84 | 150 | †99⅞ | 100⅜ | −0⅛ | −0⅛ | 10.06 |
| Export Dv. Cpn. 9¾ 84 | 100 | 97⅛ | 97⅝ | 0 | −0⅛ | 9.94 |
| Eksportfinans 9 88 | 50 | 95⅛ | 96⅛ | 0 | −0⅛ | 9.77 |
| Finland 9¾ 88 | 100 | 97⅛ | 97⅝ | 0 | 0 | 10.01 |
| GTE Fin. 9½ 84 | 60 | 97⅝ | 98⅛ | 0 | 0 | 9.99 |
| Gould Int. Fin. 9¾ 85 | 50 | 98¾ | 99¼ | 0 | −0⅛ | 9.88 |
| Hospital O/S 9 83 | 25 | 97 | 97½ | 0 | −0⅛ | 9.78 |
| Hudson Bay Co. 10 84 | 60 | 100 | 100½ | 0 | −0⅛ | 9.96 |
| Ital Finance 9¾ 90 | 50 | 93½ | 94 | 0 | −0½ | 10.71 |
| Ital Finance 10½ 93 | 40 | 96½ | 96⅞ | −0⅛ | −0⅛ | 10.96 |
| J. C. Penney 8½ 83 | 100 | 95½ | 96 | −0⅛ | −0⅛ | 9.76 |
| Manitoba 9½ 89 | 75 | 97 | 97½ | 0 | −0⅛ | 9.94 |
| New Brunswick 9¾ 84 | 75 | 97¾ | 98 | 0 | −0⅛ | 10.04 |
| Newfoundland 10 84 | 50 | 99½ | 100 | 0 | +0⅛ | 10.03 |
| Norsk Hydro 9¼ 94 | 50 | 94¾ | 95¼ | −0½ | −0⅛ | 9.90 |
| Norway 9¾ 84 | 150 | 99¾ | 100⅜ | −0⅛ | −0½ | 9.98 |
| Portland 10 84 | 60 | 97⅛ | 97⅝ | 0 | −0⅛ | 10.70 |
| Redland Fin. XW 9¼ 91 | 25 | 93 | 93½ | 0 | −0⅛ | 10.51 |
| Sears Roebuck 9 82 | 150 | 97⅛ | 98⅛ | −0⅛ | −0½ | 9.77 |
| Stockholm 9¼ 84 | 60 | 98⅛ | 99⅛ | −0⅛ | −0⅛ | 10.12 |
| UK 8⅞ 93 | 150 | 94⅛ | 94⅝ | −0⅛ | −0⅛ | 9.81 |

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| American Ex. Int. 5½ 87 | 70 | 90⅜ | 90⅞ | −1⅛ | −1⅛ | 7.12 |
| Argentina 6½ 88 | 150 | 92½ | 93 | +0⅛ | −0⅛ | 7.69 |
| Australia 6 88 | 250 | 91⅞ | 92⅜ | −0⅛ | −1⅛ | 7.20 |
| Austria 5¾ 90 | 150 | 86⅞ | 87⅜ | −0⅛ | −2 | 7.47 |
| Banco Desarrollo 7¼ 88 | 100 | 95⅛ | 95⅝ | −0⅛ | −0⅛ | 8.10 |
| Bankamerica 5½ 90 | 150 | †89 | 89½ | −1½ | −1½ | 7.18 |
| Bq. Ext. Algerie 7¾ 85 | 100 | 96⅛ | 96⅝ | 0 | −1⅛ | 7.97 |
| Brazil 7¼ 87 | 150 | 97 | 97½ | 0 | −1⅛ | 7.73 |
| CECA 6 88 | 150 | 91⅛ | 91⅝ | +0⅛ | −1⅛ | 7.24 |
| CECA 7 91 | 150 | †96½ | 97 | −0⅛ | −0⅛ | 7.42 |
| Ch. Manhttn. O/S 6 93 | 100 | 91⅛ | 91⅝ | −0⅛ | −1⅛ | 6.97 |
| Copenhagen City 6 90 | 75 | 88⅞ | 89⅜ | −0⅛ | −1⅛ | 7.43 |
| Council of Europe 6¼ | 130 | 92½ | 93¼ | +0⅛ | 0 | 7.31 |
| Denmark 5¾ 85 | 100 | 93⅞ | 94⅜ | −0⅛ | −1⅛ | 7.02 |
| Denmark 6½ 89 | 100 | 94⅛ | 94⅝ | −0⅛ | −1 | 7.28 |
| EIB 6 90 | 300 | 87½ | 88 | −0⅛ | −1⅛ | 7.64 |
| EIB 6½ 91 | 200 | 92⅜ | 93⅛ | −0⅛ | −1⅛ | 7.43 |
| Eletrobras-Brazil 7 87 | 100 | 94⅛ | 94⅝ | −0⅛ | −1⅛ | 7.95 |
| Eurofima 6¼ 89 | 100 | 95⅛ | 96⅛ | −0⅛ | −3⅛ | 7.06 |
| Finland 6 83 | 150 | 97⅛ | 97⅝ | −0⅛ | −1⅛ | 6.64 |
| Hitachi Ship. 6¾ 83 | 50 | 95⅛ | 96⅛ | −0⅛ | −0⅛ | 6.78 |
| Indonesia 7 84 | 100 | 95⅛ | 96⅛ | +0⅛ | −0⅛ | 7.95 |
| Kobe, City of 5¾ 88 | 100 | 93⅛ | 93⅞ | −0⅞ | −1⅛ | 6.93 |
| Megal Fin. 7 89 | 150 | †97⅛ | 98⅛ | 0 | −0⅛ | 7.31 |
| Mitsubishi Petro. 5¾ 85 | 100 | 94⅛ | 95⅛ | −1⅛ | −2 | 6.79 |
| New Zealand 6¼ 87 | 200 | 95 | 95½ | −0⅛ | −1⅛ | 7.07 |
| Nippon Kokan 7½ 84 | 100 | 97 | 97½ | −0⅛ | −0⅛ | 8.20 |
| Nippon Steel 5¾ 85 | 100 | 93⅛ | 94⅛ | +0⅛ | −0⅛ | 6.95 |
| Nippon Tel. & T. 5¾ 87 | 100 | 88⅛ | 89⅛ | −0⅛ | −1 | 7.41 |
| Nordic Inv. Bk. 6¼ 86 | 60 | 95 | 95½ | −0⅛ | −1½ | 7.16 |
| Norges Komm. 6 90 | 100 | 90⅛ | 91⅛ | −1⅛ | −2 | 7.22 |
| Norges Komm. 6¾ 89 | 150 | 93⅛ | 94 | −0½ | −1½ | 7.18 |
| Norway 6¾ 84 | 200 | 99⅞ | 100⅛ | +0⅛ | −0⅛ | 6.22 |
| Occidental 6¾ 90 | 150 | 94⅝ | 95⅛ | −0⅛ | −0⅛ | 7.38 |
| OKB 6¾ 88 | 100 | 97 | 97½ | −0⅛ | −0⅛ | 6.89 |
| OKB 6 87 | 40 | †95½ | 96⅛ | 0 | −0⅛ | 6.69 |
| Petroleo Brazil 7 88 | 100 | 93⅞ | 94⅜ | −0½ | −1⅛ | 7.90 |
| Statoil 6 88 | 150 | 91 | 91½ | −0⅞ | −1⅛ | 7.30 |
| Statoil 6½ 89 | 150 | 95⅛ | 96⅛ | −0⅛ | −1 | 7.07 |
| UDS Group 5¾ 83 | 65 | †94⅛ | 95 | −0½ | −1⅛ | 7.23 |
| Union Bank-Finn 6½ 88 | 50 | †93 | 93½ | +0⅛ | 0 | 7.50 |
| Venezuela 6½ 90 | 150 | 89⅛ | 90 | −0⅛ | −0⅛ | 7.90 |
| World Bank 6⅛ 88 | 400 | †93⅛ | 94⅛ | −0⅛ | −1⅛ | 7.13 |

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Acesa 5¼ 88 | 40 | 103½ | 104 | −0½ | −0⅛ | 4.74 |
| Amer. Exp. Int. 3½ 93 | 40 | 94 | 94½ | +0⅛ | −0⅛ | 4.04 |
| Asian Dev. Bank 3¾ 94 | 100 | 86⅛ | 86½ | −0⅛ | −2⅛ | 4.81 |
| Austria 3½ 93 | 100 | 89 | 90 | +0⅛ | −2⅛ | 4.49 |
| Australia 3¾ 89 | 250 | 94⅛ | 95 | −0⅛ | −1 | 4.27 |
| Brazil 4¼ | 100 | 99 | 99½ | +0⅛ | −0½ | 4.36 |
| Canada 3¾ 89 | 300 | 95 | 95½ | −0⅛ | −1 | 4.24 |
| Chase Manhattan 4 93 | 70 | 99 | 99½ | 0 | −1 | 4.08 |
| Council of Europe 4¼ | 100 | 97½ | 97⅞ | +0⅛ | −0⅛ | 4.51 |
| Bankamerica 3¾ 93 | 80 | 95 | 95½ | +0⅛ | −0⅛ | 4.21 |
| BNDE 5 88 | 75 | 100½ | 100 | +0½ | −0⅛ | 4.89 |
| Denmark 4½ 90 | 100 | 101 | 101½ | +0⅛ | −0⅛ | 4.37 |
| Euratom 4¼ 93 | 80 | 94⅛ | 94½ | +0⅛ | 0 | 4.80 |
| F. L. Smidth 4½ 89 | 25 | 98½ | 98⅞ | +0⅛ | −0½ | 4.67 |
| Finland 4½ 93 | 80 | 99½ | 99⅞ | +0⅛ | 0 | 4.53 |
| GZB 4½ 93 | 100 | 99 | 99½ | −0⅛ | −1 | 4.58 |
| Horon 4¾ 89 | 35 | 95 | 95½ | +0⅛ | −0⅛ | 4.88 |
| ICI Fin. NV 3¾ 94 | 230 | 88½ | 89 | +0⅛ | −2⅛ | 4.54 |
| Malaysia 4¾ 90 | 80 | 96⅛ | 96½ | −0½ | −1⅛ | 5.17 |
| New Zealand 3½ 94 | 120 | 89½ | 90 | +0½ | −2⅛ | 4.46 |
| OKB 3¾ 91 | 100 | 93⅛ | 93½ | +0⅛ | −2⅛ | 4.48 |
| Pfand Ost. Lande 4 90 | 60 | 95 | 95½ | +0⅛ | −1⅛ | 4.58 |
| Philippines 4¾ 89 | 50 | 95⅛ | 95½ | −0⅛ | −2⅛ | 5.36 |
| Sandvik 4 90 | 85 | 97 | 97½ | +0⅛ | −0⅛ | 4.32 |
| Spain 4 91 | 100 | 93⅛ | 94 | 0 | −2½ | 4.68 |
| Vienna 4 93 | 100 | 94 | 94½ | +0⅛ | −0⅛ | 4.56 |
| World Bank 4½ 93 | 250 | 95 | 95½ | +0½ | −1⅛ | 4.72 |

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. Bank 5⅜ 88 | 15 | 89⅛ | 89⅝ | +0⅛ | +0½ | 7.88 |
| Australia 5.6 83 | 30 | 93⅛ | 94⅛ | 0 | −0⅛ | 7.35 |
| Australia 6½ 88 | 20 | 91½ | 92½ | 0 | −0⅛ | 7.84 |
| Finland 5.6 83 | 10 | 92⅛ | 93⅛ | 0 | +0⅛ | 7.51 |
| Finland 6.8 88 | 10 | 92⅛ | 93⅛ | 0 | 0 | 8.06 |

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Nordic I. Bk. 9 84 SDR | 20 | 97⅛ | 98⅛ | −0⅛ | −0⅛ | 9.49 |
| Ex. Dev. Cpn. 10 84 C$ | 50 | 99 | 99½ | −0⅛ | −0⅛ | 10.19 |
| Hudson Bay 10¼ 89 C$ | 50 | 99⅛ | 100⅛ | +0⅛ | 0 | 10.50 |
| Quebec 10¼ 85 C$ | 50 | †98⅛ | 99 | −0⅛ | −0⅛ | 10.51 |
| R. Bk. Canada 10 86 C$ | 40 | 99 | 99½ | 0 | −0⅛ | 10.15 |
| R. Bk. Canada 10 94 C$ | 40 | 96⅛ | 97⅛ | −0⅛ | −0⅛ | 10.40 |
| Komm. Inst. 7½ 93 EUA | 15 | 97⅛ | 98⅛ | 0 | 0 | 7.76 |
| Panama 8¼ 93 EUA | 20 | 96⅛ | 97⅛ | −0⅛ | −0⅛ | 8.63 |
| SOFTE 8¼ 89 EUA | 40 | 97⅛ | 98⅛ | +0⅛ | +0⅛ | 8.57 |
| Algemene Bk. 6¼ 83 Fl | 75 | 96⅛ | 96⅝ | 0 | +0⅛ | 7.43 |
| CFE Mexico 7¼ 83 Fl | 75 | 97⅛ | 98⅛ | 0 | +0⅛ | 8.39 |
| EIB 7¾ 85 Fl | 75 | 94⅛ | 95 | 0 | +0⅛ | 8.35 |
| Ned. Middbk. 8¼ 84 Fl | 75 | 100¼ | 101 | +0⅛ | +0⅛ | 8.08 |
| New Zealand 6¾ 84 Fl | 75 | 94⅛ | 95 | +0⅛ | +0⅛ | 8.08 |
| Norway 8¼ 84 Fl | 100 | 100⅛ | 101⅛ | +0⅛ | +0⅛ | 7.95 |
| Elf Aquitaine 9¾ 88 FFr | 150 | 99⅛ | 99⅜ | 0 | +0⅛ | 9.80 |
| EIB 9¾ 88 FFr | 200 | 99 | 99½ | 0 | 0 | 9.86 |
| Norway 9¾ 84 FFr | 200 | 99⅛ | 99⅞ | 0 | 0 | 9.37 |
| PSA Peugeot 9¾ 87 FFr | 175 | 99 | 99½ | 0 | −0⅛ | 9.88 |
| Solvay et Cie 9¾ 87 FFr | 125 | 98⅞ | 99⅛ | −0⅛ | −0⅛ | 9.91 |
| Total Oil 9½ 87 FFr | 150 | 97 | 97½ | 0 | 0 | 9.86 |
| Unilever 10 85 FFr | 100 | 100⅛ | 101½ | 0 | +0⅛ | 9.73 |
| CECA 9¾ 89 £ | 20 | 91⅛ | 92⅛ | +0⅛ | +0⅛ | 10.96 |
| Citicorp 10 93 £ | 20 | 91⅛ | 92⅛ | +0⅛ | +0⅛ | 11.19 |
| EIB 9¾ 88 £ | 25 | 94⅛ | 95⅛ | +0⅛ | +0⅛ | 10.64 |
| Finance for Ind. 13 91 £ | 15 | 104⅛ | 104⅝ | +0⅛ | +0⅛ | 12.25 |
| Gen. Elec. Co. 12¼ 89 £ | 50 | 102⅛ | 103⅛ | +0⅛ | +0⅛ | 12.00 |
| Bayer Lux. 8 86 LuxFr | 250 | 96⅛ | 98 | −0⅛ | −0⅛ | 8.48 |
| EIB 7¾ 88 LuxFr | 250 | 96⅛ | 97⅛ | 0 | −0⅛ | 8.22 |
| Euratom 8 87 LuxFr | 500 | 99⅛ | 100⅛ | −0⅛ | −0⅛ | 7.99 |
| Finland I. F. 8 88 LuxFr | 250 | 96⅛ | 97⅛ | 0 | −0⅛ | 8.42 |
| Norway 7¾ 83 LuxFr | 250 | 96⅛ | 97⅛ | −0⅛ | −0⅛ | 8.50 |
| Norges Km. 8 86 LuxFr | 500 | 99⅛ | 100⅛ | 0 | +0⅛ | 8.05 |
| Oslo, City of 8 89 LuxFr | 500 | 93⅛ | 93⅝ | 0 | −0⅛ | 8.13 |
| Solvay Fin. 8 85 LuxFr | 500 | 99⅛ | 100⅛ | 0 | −0⅛ | 7.98 |
| Swedish Bk. 8 88 LuxFr | 500 | 99⅛ | 100⅛ | 0 | −0⅛ | 8.01 |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld |
|---|---|---|---|---|---|---|
| Arab Intl. Bank M6.5 83 | 0¾ | 96¾ | 97¼ | 31/7 | 11.44 | 11.78 |
| BFG Fin. Co. M5.5 89 | 0⅛ | 98½ | 99 | 12/7 | 12.4 | 12.56 |
| Banco di Roma M6 87 | 0¾ | 98⅛ | 98⅝ | 26/10 | 11.19 | 11.36 |
| Bco. El Salvador M8 83 | 1⅛ | 96⅞ | 97½ | 12/10 | 12⅛ | 12.61 |
| Bco. Nac. Argnt. M8 83 | 0⅛ | 100⅛ | 100⅝ | 21/7 | 12⅛ | 12.20 |
| Bco. Nac. Argnt. 7 88 | 0⅛ | 97⅛ | 98⅛ | 22/9 | 11⅛ | 11.73 |
| Banco Urquijo 6 88 | 0⅛ | 97⅛ | 98⅛ | 21/9 | 11⅞ | 11.73 |
| Bank of Tokyo M5½ 93 | 0⅛ | 98 | 98½ | 18/10 | 11⅛ | 11.96 |
| Bq. E. d'Alg. M8.375 84 | 0⅛ | 97⅛ | 97⅝ | 9/8 | 11⅞ | 12.18 |
| Bq. Ext. d'Alg. M7.5 85 | 0⅛ | 95⅛ | 95⅞ | 2/11 | 11⅞ | 12.43 |
| Bq. Indo et Suez M5½ | 0⅛ | 99⅛ | 99⅝ | 25/7 | 12 | 12.05 |
| Bq. I. Af. Occ. M6.5 83 | 0⅛ | 98⅛ | 98⅝ | 12/7 | 12.4 | 12.59 |
| BNP 5½ 91 | 0⅛ | 97⅛ | 98⅛ | 22/2 | 11⅛ | 11.59 |
| CCCE M5.25 98 | 0⅛ | 97⅛ | 98⅛ | 3/8 | 11⅞ | 11.62 |
| Ch. Man. O/S M5¼ 93 | 0⅛ | 99⅛ | 99⅝ | 27/7 | 11.73 | 11.84 |
| Citicorp O/S Fin. 6 94 | 0¼ | 99⅛ | 99⅝ | 8/6 | 11.06 | 11.10 |
| Credit National M5¼ 88 | 0⅛ | 98½ | 99 | 11/7 | 12.31 | 12.47 |
| Gotabanken M6 88 | 0⅛ | 98 | 98½ | 15/5 | 12.31 | 12.53 |
| Ind. Bk. Japan M5½ 85 | 0⅛ | 99½ | 100⅛ | 1/6 | 12.35 | 12.37 |
| LTCB Japan M5½ 85 | 0⅛ | 99 | 99½ | 9/6 | 12.06 | 12.15 |
| Midland Intl. M5½ 93 | 0⅛ | 98⅛ | 99⅛ | 20/7 | 12.31 | 12.37 |
| Nipp. Crdt. Bk. M5.5 85 | 0⅛ | 99½ | 100 | 22/6 | 12.81 | 12.85 |
| OKB M5¼ 88 | 0⅛ | 99⅛ | 99⅝ | 18/10 | 11.44 | 11.49 |
| Offshore Mining 86 | 0⅛ | 99⅛ | 99⅝ | 19/7 | 12.19 | 12.25 |
| Petro Mexicano 7¼ 84 | 0⅛ | 99 | 99½ | 24/7 | 12.06 | 12.15 |
| Privredna Banka M8 86 | 0⅞ | 95⅛ | 96⅛ | 22/6 | 13.44 | 13.98 |
| Standard Chrt. M5.5 90 | 0⅛ | 97⅛ | 98⅛ | 10/8 | 11.56 | 11.78 |
| Sundsvallsbnkn. M6 85 | 0⅛ | 97½ | 98 | 4/10 | 11.06 | 11.32 |
| Texas Int. Air. M7 86 | 0⅛ | 97⅛ | 98⅛ | 11/10 | 11⅛ | 11.49 |
| Utd. Overs's Bk. M6 89 | 0⅛ | 97⅛ | 98⅛ | 29/9 | 11.14 | 11.35 |

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| Baker Int. Fin. 5½ 93 | 1/79 | 34 | 118½ | 119½ | +0⅛ | 0.20 |
| Boots 6¾ 93 | 2/79 | 2.16 | 111⅛ | 112⅛ | +0⅛ | −3.18 |
| Ciba-Geigy O/S F. 4 94 | 9/79 | 675 | 96⅛ | 97⅛ | −0⅛ | −16.64 |
| Coca-Cola Bottling 6¾ | 4/79 | 9 | 90⅛ | 92 | +0⅛ | 24.04 |
| Essolte 7¾ 89 | 9/79 | 159 | 97 | 97⅛ | −0⅛ | 8.38 |
| Honda Motor 5½ 89 | 6/79 | 532 | 99⅛ | 100⅛ | +0⅛ | −1.50 |
| Ito-Yokado 5¾ 93 | 6/78 | 1339 | 105⅛ | 106⅛ | +0⅛ | 1.34 |
| Novo Industri 7 89 | 4/79 | 259 | 87⅛ | 89⅛ | 0 | 12.91 |
| Texas Int. Air. 7¾ 93 | 4/78 | 14.5 | 92⅛ | 93⅛ | −0⅞ | 17.26 |
| Thorn Int. Fin. 7 88 | 11/78 | 3.67 | 142⅛ | 143⅛ | +2⅛ | 0.74 |
| Asahi Optical 3½ DM | 12/78 | 588 | 88⅛ | 89⅛ | +0⅛ | 7.56 |
| Casio Cp. 3½ 85 DM | 11/78 | 841 | 88 | 89 | −1⅛ | 12.75 |
| Fujitsu 5 84 DM | 7/79 | 475 | 98⅛ | 99⅛ | +0⅛ | 11.36 |
| Izumiya 3½ 86 DM | 10/78 | 989 | 90⅛ | 91⅛ | +4⅛ | 1.88 |
| Jusco 3½ 86 DM | 1/79 | 1154 | 84⅛ | 85⅛ | +0⅛ | 24.94 |
| Kansai Elec. 4 84 DM | 4/79 | 1350 | 87⅛ | 88⅛ | +0⅛ | 30.24 |
| Konishiroku 3¾ 85 DM | 1/79 | 612 | 89⅛ | 90⅛ | −0⅛ | 14.66 |
| Marudai Food 3½ DM | 2/79 | 1033 | 82⅛ | 83⅛ | 0 | 27.31 |
| Murata M. 3½ 86 DM | 11/78 | 864 | 95⅛ | 96⅛ | 0 | 4.08 |
| Nipp. Air. 3.5 88 DM | 12/78 | 508 | 84⅛ | 85⅛ | 0 | 10.18 |
| Nippon Yan. 3½ 85 DM | 1/78 | 251 | †100 | 101 | +⅞ | −0.94 |
| Nissan Diesl. 3½ 86 DM | 2/79 | 477 | 91⅛ | 92⅛ | +0⅛ | 11.16 |
| Olymp. Opt. 3½ 85 DM | 2/79 | 703 | 96⅛ | 97⅛ | −0⅛ | −2.09 |
| Ricoh 3½ 86 DM | 10/78 | 617 | 90⅛ | 91⅛ | +0⅛ | 12.12 |
| Sharp Cpn. 3½ 88 DM | 2/78 | 487 | 92⅛ | 93⅛ | 0 | 8.25 |
| Stanley Elec. 3½ DM | 11/78 | 623 | 86⅛ | 87⅛ | −1⅛ | 24.36 |
| Tokyo Elec. 3½ 87 DM | 4/79 | 476 | 91⅛ | 92⅛ | +0⅛ | 21.0 |
| Tokyu Ld. Cp. 4 86 DM | 4/79 | 493 | 86⅛ | 87⅛ | +0⅛ | 8.95 |
| Trio-Knwd. 3½ 86 DM | 11/78 | 717 | 86⅛ | 87⅛ | +0⅛ | 17.37 |



BONDTRADE INDEX AND YIELD

| | Medium term | | Long term | |
|---|---|---|---|---|
| May 4 | 95.10 | 8.86 | 89.02 | 9.43 |
| April 27 | 95.30 | 8.83 | 89.33 | 9.37 |
| High '79 | 95.76 | (1/2) | 89.99 | (30/1) |
| Low '79 | 94.40 | (11/1) | 88.67 | (28/2) |

EUROBOND TURNOVER (nominal value in $m)

| | Cedel | Euroclear |
|---|---|---|
| U.S. $ bonds | | |
| Last week | 486.0 | 1,723.7 |
| Previous week | 473.0 | 1,566.2 |
| Other bonds | | |
| Last week | 555.1 | 486.4 |
| Previous week | 359.3 | 511.4 |

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Bondtrade; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Banque Francaise du Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on May

# APPOINTMENTS

## Senior position at American Express

Mr. David Cameron-Moore has been appointed regional vice president travellers cheque division, United Kingdom and Ireland for AMERICAN EXPRESS. He replaces Mr. Derek Pearmund who has been made general manager—travel Belgium.

★

Mr. James Ogilvy has been appointed to the Boards of U.S. Trust London and Lontrust Management U.K. subsidiaries of the United States Trust Company of New York. Mr. Ogilvy is a partner in Rowe and Pitman, stockbrokers, and chairman and managing director of Rowan Investment Management Services.

★

Mr. W. G. Ryman, managing director of Gee and Watson and a member of the Board of WACE GROUP has been appointed deputy managing director of Wace Group.

★

SIR WILLIAM HALCROW AND PARTNERS has made the following changes in the management of the partnership: The present senior partner, Mr. N. J. Cochrane becomes executive partner concerned with workflow for the firm's various entities. Mr. A. M. Muir Wood is made senior partner. Mr. W. H. Cooper will retire from the partnership but will continue as a director of Halcrow and serve in other entities of the firm. Mr. R. K. Hayward, Mr. A. R. Kopec and Mr. R. W. Rothwell have been invited to join the partnership, while Mr. T. D. Susey, Mr. R. M. Dorzie, Mr. M. S. Fletcher, Mr. R. S. Gray and Mr. A. R. Hardy have been invited to become principal associates of the firm.

★

Mr. Bernard L. Rootham, at present general manager of Alder Valley, has been appointed general manager of EASTERN COUNTIES OMNIBUS COMPANY, in succession to Mr. Ronald Wade, who retires on June 30.

★

Mr. John Seddon, previously managing director of Cox and Wyman, has been appointed assistant director of the PRINTING AND PUBLISHING INDUSTRY TRAINING BOARD.

★

Mr. Geoffrey McAra has been appointed financial director of HAREFIELD RUBBER on the retirement of Mr. Tommy Thompson. Mr. Tim Thirley has relinquished the position of managing director on retirement from RUNNYMEDE RUBBER and his directorship of Harefield. Mr. Ted Mould, previously production director, has been appointed chief executive of Runnymede.

★

Mr. Godfrey Thomas, Mr. John Chisholm and Mr. Graeme Ferrero have been appointed to head groups within CAP SCIENTIFIC, the new company founded by the CAP-CPP group in February. Mr. Thomas will be responsible for the operational analysis group. Mr. Chisholm has entered CAP as the project controller with responsibility for project management, while Mr. Ferrero has joined the company to set up a systems engineering group.

★

Mr. G. F. Hunn has been appointed chairman of the ROYAL ARSENAL CO-OPERATIVE SOCIETY in succession to Mr. F. W. Styles.

★

RECORD TOWER CRANES, a Richards and Wallington Industries company, has reorganised its board of directors. Mr. Ron Cooke has resigned as managing director in order to devote more time to his other commitments with the Richards and Wallington group. Mr. Mark Taylor-Thomas, previously deputy managing director, has been appointed his successor. Mr. David Brierton, who gave up executive responsibilities as managing director of Record in 1977, has agreed to devote time to the company as executive vice-chairman.

★

Mr. Harry, Mr. Edward and Mr. Kenneth Lasky have resigned from the board of AUDIOTRONIC HOLDINGS whose retail operations bear their name and whose existence is largely the consequence of their past work.

★

Mr. Peter R. Hayward, Mr. John P. McMonigall, and Derrick G. Smith have been elected to the Board of SPERRY RAND. Mr. Hayward is manager of Sperry flight systems, West Drayton, Mr. McMonigall is director of marketing-Europe for Sperry Marine Systems, Bracknell, and Mr. Smith is general mananger of Sperry New Holland, Aylesbury.

★

Mr. B. P. A. Cork has been elected to the main board of STAR OFFSHORE SERVICES as operations director responsible for the company's offshore marine and diving activities.

★

Mr. Peter Baker has been appointed the PERKINS ENGINES GROUP director southern sales, covering Africa, the Middle East, the Indian subcontinent and the Far East.

★

BRISTOL STREET MOTORS has made two appointments to its Board. They are Mr. James Reid, sales director, new cars, and Mr. George Ellis, sales director, trucks.

★

Mr. P. M. Fitzgerald and Mr. D. K. M. Walpole have been appointed directors of DALGETY INTERNATIONAL TRADING.

★

Ibstock Johnsen has appointed Mr. Reynold Nebel as president and chief executive of its U.S. subsidiary, MARION BRICK CORPORATION.

## £3m Dockland railway link opens next week

RAIL COMMUTERS in East London will have a quicker, smoother journey from Monday, following the first stage of a £3m investment by the Greater London Council.

British Rail's new "Crosstown Linkline" from North Woolwich to Camden Road incorporates the southern end of the old North Woolwich line to Stratford and then uses a former goods track to Camden Road, where passengers may change on to the North London line. This is the first stage of improvements to link docklands with Central, North and West London.

The GLC is paying British Rail to build three stations in Hackney on the former freight-only line, as well as for improvement of stations between North Woolwich and Stratford.



# AMERICAN MARKETS

## Friday's closing prices

NEW YORK, May 4.

Cocoa—May 139.50 (142.65), July 142.00 (146.40), Sept. 144.50, Dec. 148.00, March 150.00, May 151.50, July 153.00.

Copper—May 86.70 (88.70), June 87.25 (89.25), July 87.85, Sept. 88.25, Dec. 88.55, Jan. 88.66, March 88.85, May 89.05, July 89.25, Sept. 89.45, March 89.60.

*Gold—May 248.70 (247.50), June 250.30 (249.50), July 252.40, Aug. 254.80, Oct. 259.30, Dec. 263.90, Feb. 268.50, April 273.10, June 277.70, Aug. 282.30, Oct. 286.90, Dec. 291.50, Feb. 295.10.

Potatoes (round whites)—Nov. 63.5 (63.0), March 72.5 (72.0), April nil, May 88.0.

*Platinum—May 416.30 (409.30), June 416.10 (409.30), July 415.90, Oct. 415.20, Jan. 416.20, April 417.40, July 419.10, Oct. 421.20.

¶Silver—May 824.50 (807.50), June 828.00 (808.00), July 835.50, Sept. 847.80, Dec. 864.20, Jan. 869.40, March 879.80, May 890.40, July 900.90, Sept. 911.40, Dec. 927.20, Jan. 932.30, March 942.70.

Cotton—May 62.10 bid 62.30 against (62.47), July 63.35-63.49 (63.90), Oct. 64.90, Dec. 64.15-64.23, March 65.00-65.15, May 66.95 bid 67.05 asked, July 67.12 bid 67.15 asked, Oct. 67.20 bid. Sales: 6,850.

Tin—700.00-707.00 nom. (695.00 nom.).

Sugar—No. 11: July 8.43 (8.52), Sept. 8.76 (8.84), Oct. 8.92, Jan. 9.28, March 9.61, May 9.81, July 10.04, Sept. 10.22, Oct. 10.32.

‡‡Maize—May 287¼-286¾ (285¼), July 271½-271 (269¾), Sept. 273-272¾, Dec. 274½-274¼, March 282¾-282½, May 287¼-287¾.

†Wheat—May 365 (363¾), July 361-360¾ (359½), Sept. 352, Dec. 372½, March 380½, May 379½.

CHICAGO, May 4.

Live Cattle—June 75.70-75.70 asked (77.20-75.70), Aug. 72.83-72.82 asked (75.32-73.82), Oct. 71.90-72.00, Dec. 72.20-72.45, Jan. 72.60, Feb. 72.90 bid-72.95, April 72.80-72.85, June 73.45, Aug. 72.20 asked, Oct. 71.25 bid. Sales: 29,295.

Live Hogs—June 49.05-49.25 (50.00-49.15), July 48.85-49.00 (50.17-48.92), Aug. 46.20-46.00, Oct. 42.65-42.70, Dec. 43.60-43.75, Feb. 43.42 asked, April 41.60-41.90 bid, June 43.95 bid, July 44.00. Sales: 6,890.

Plywood—May 199.5 (200.8), July 200.3 (201.0), Sept. 200.2-200.3, Nov. 199.8, Jan. 200.5, March 201.5, May 201.5, July 202.0 bid, Sept. 202.0 bid.

Shell Eggs—May 54.40 (54.65), June 54.70 (55.00), July nil, Aug. nil, Sept. 60.10, Oct. nil, Nov. nil, Dec. nil. Sales: 112.

Silver—May 828.0 (808.3), June 832.5-834.3 bid (814.3), July 840.4 bid, Aug. 846.6-846.8 bid, Oct. 858.1 bid, Dec. 868.7 bid, Feb. 879.0 bid, April 889.3 bid, June 899.6 bid, Aug. 909.9 bid, Oct. 920.3 bid, Dec. 930.8 bid, Feb. 941.4 bid, April 952.1 bid, June 962.9 bid, Aug. 973.8 bid, Oct. 984.8 bid, Dec. 995.9 bid, Feb. 100.71 bid.

$Soyabeans—May 735-734 (733¼), July 751-752 (745½), Aug. 754-756, Sept. 734-734½, Nov. 720-719½, Jan. 731-730½, March 740-742½, May 749.

‖Soyabean Meal—May 194.00-193.80 (191.80), July 199.80-200.00 (197.80), Aug. 201.50, Sept. 198.50-199.00, Oct. 196.50-196.20, Dec. 197.00-196.50, Jan. 198.50, March 200.50, May 201.00-202.00.

Soyabean Oil—May 26.05-26.02 (26.27), July 26.43-26.40 (26.56), Aug. 26.45-26.40, Sept. 26.20-26.10, Oct. 25.90-25.85, Dec. 25.60-25.55, Jan. 25.60-25.50, March 25.60, May 25.65, July 25.55-25.60.

WINNIPEG, May 4. §Rye—May 109.80 bid (105.20 asked), July 111.10 asked (107.60 asked), Oct. 110.60, Dec. 109.70 asked.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq. feet. ‡ Cents per dozen.

## INDICES

### FINANCIAL TIMES

| May 4 | May 3 | M'nth ago | Year ago |
|---|---|---|---|
| 277.00 | 276.74 | 271.01 | 241.66 |

(Base: July 1, 1952=100)

### DOW JONES

| Dow Jones | May 4 | May 3 | Month ago | Year ago |
|---|---|---|---|---|
| Spot ... | 392.64 | 393.29 | 377.42 | 364.42 |
| F'tur's | 398.09 | 397.32 | 385.51 | 350.64 |

(Average 1924-25-26=100)

### MOODY'S

| May 4 | May 3 | M'nth ago | Year ago |
|---|---|---|---|
| 1065.0 | 1061.9 | 1048.2 | 905.6 |

(December 31, 1931=100)

### REUTERS

| May 4 | May 3 | M'nth ago | Year ago |
|---|---|---|---|
| 1565.8 | 1567.7 | 1564.7 | 14561. |

(Base: September 18, 1931=100)

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information to the public with regard to Pleasantworld Limited ("the Company") which is in the course of changing its name to Fulcrum Investment Trust Limited. The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly.

A copy of this prospectus, having attached thereto the documents specified below, has been delivered to the Registrar of Companies for registration.

Application has been made to the Council of The Stock Exchange for the 2,400,000 Income Shares and the 12,000,000 Capital Shares of the Company hereby offered for subscription to be admitted to the Official List.

The application list for the Units now being offered will open at 10 a.m. on 11th May, 1979 and will close on the same day.

# FULCRUM INVESTMENT TRUST

Fulcrum Investment Trust is the registered business name of Pleasantworld Limited (incorporated in England under the Companies Acts 1948 to 1976, registered number 1398057).

## Offers for subscription 1,200,000 Units at 125p per Unit

each Unit comprising 2 Income Shares of 25p each and 10 Capital Shares of 2½p each payable in full on application.

**The Income Shares and the Capital Shares will be dealt in separately.**
**The Directors have been informed that firm applications will be made for 780,000 Units, which they intend to accept in full.**

**Directors**
Archibald Somerset Clowes (Chairman),
Ashlands, Billesdon, Leicestershire LE7 9EF.
Stephen John Cockburn,
Marshalls, Cuckfield, Sussex RH17 5EL.
Peter Alan Hill-Walker,
The Old Rectory, Kirby Wiske,
Thirsk, Yorkshire YO7 4ER.

**Managers, Secretary and Registered Office**
Carliol Investment Management Limited,
'A' Floor, Milburn House,
Newcastle upon Tyne NE1 1LU.

**Solicitors**
Macfarlanes,
Dowgate Hill House, London EC4R 2SY.

**Auditors and Reporting Accountants**
Price Waterhouse & Co.,
Chartered Accountants, Southwark Towers,
32 London Bridge Street, London SE1 9SY.

**Brokers**
Sheppards and Chase,
Clements House,
14-18 Gresham Street, London EC2V 7AU,
and at The Stock Exchange.

**Receiving Bankers**
Midland Bank Limited,
New Issue & Securities Department,
Mariner House, Pepys Street, London EC3N 4DA.

**Bankers**
Midland Bank Limited,
Milburn House, Dean Street,
Newcastle upon Tyne NE1 1NS.
Chemical Bank International Limited,
Union Court, 33 Old Broad Street, London EC2N 1EA.

**Registrars**
W. H. Stentiford & Co.,
Woodland House, Collingwood Road,
Witham, Essex CM8 2TS.

## Share Capital

| Authorised £ | | Issued and to be issued fully paid £ |
|---|---|---|
| 750,000 | in 3,000,000 Income Shares of 25p each | 600,000 |
| 375,000 | in 15,000,000 Capital Shares of 2½p each | 300,000 |
| 1,125,000 | | 900,000 |

At 3rd May, 1979 the Company had outstanding no loan capital, including term loans, mortgages or charges, other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities.

**PROCEDURE FOR APPLICATION.** Application must be made on the Application Form provided and be for a minimum of 100 Units. Applications for up to 1,000 Units must be in multiples of 100 Units, for between 1,000 and 10,000 Units in multiples of 500, for between 10,000 and 50,000 in multiples of 5,000 and thereafter in multiples of 10,000. Each application, must be accompanied by a separate cheque for the full amount payable on application and be forwarded to Midland Bank Limited, New Issue & Securities Department, Mariner House, Pepys Street, London EC3N 4DA so as to arrive not later than 10 a.m. on 11th May, 1979. Cheques which must be drawn in sterling on a bank or branch thereof and be payable in England, Scotland or Wales, must be made payable to Midland Bank Limited and crossed "Not Negotiable."

Due completion and delivery of the Application Form accompanied by a cheque will constitute a legally enforceable promise that the cheque will be honoured on first presentation and attention is drawn to the declaration on the Application Form to this effect. Midland Bank Limited reserves the right to present all cheques for payment on receipt and to retain Letters of Acceptance and Allotment and surplus application moneys pending the clearance of the cheques, and has the right to reject any application and in particular to reject multiple or suspected multiple applications.

Acceptance of applications will be conditional upon the Council of The Stock Exchange admitting to the Official List, on or before 18th May, 1979, the whole of the share capital of the Company issued and to be issued. Moneys paid in respect of all applications will be returned if such listing is not obtained by that date and in the meantime will be retained by Midland Bank Limited in a separate account.

*If any application is not accepted the amount paid on application will be returned in full and if any application is accepted for fewer Units than the number applied for a cheque for the balance of the amount paid on application will be returned, in each case through the post at the applicant's risk.*

Separate fully paid Renounceable Letters of Acceptance and Allotment will be issued in respect of the Income Shares and the Capital Shares, the last day for registration of renunciation being 22nd June, 1979. Pending the issue of definitive documents of title, instruments of transfer of Income Shares and Capital Shares will be certified against the respective registers. Share Certificates will be despatched on 20th July, 1979.

Postal applicants are advised to use first class mail and to allow two days for delivery.

**Copies of this offer for subscription, incorporating the Application Form, may be obtained, by personal application, from:—**

**Sheppards and Chase, Clements House, 14/18 Gresham Street, London EC2V 7AU.**
**Sheppards and Chase, Westwood Chambers, 93A Albion Street, Leeds LS1 5QD.**
**Carliol Investment Management Limited, 'A' Floor, Milburn House, Newcastle upon Tyne NE1 1LU.**
**Midland Bank Limited, New Issue & Securities Department, Mariner House, Pepys Street, London EC3N 4DA.**
**and at the following branches of Midland Bank Limited:—**
**Poultry and Princes Street, London EC2P 2BX.**
**5 Threadneedle Street, London EC2R 8BD.**
**42 Grey Street, Newcastle upon Tyne NE99 1MD.**

### CAPITAL STRUCTURE AND DURATION OF THE COMPANY

The Company has a split capital structure consisting of Income Shares and Capital Shares. The Income Shares are entitled to all the income of the Company available for distribution and the Capital Shares are entitled to the net assets of the Company after deducting the amount attributable to the Income Shares. The Articles of Association provide that the Company must be put into liquidation between 1991 and 1994, when the Company's assets, after deducting loans and other liabilities, will be distributed to shareholders. On liquidation, the holders of Income Shares will receive 40p per share plus any amount standing to the credit of revenue reserves. The remaining assets will be distributed among the holders of the Capital Shares. A summary of the rights attaching to the Income Shares and to the Capital Shares is set out in Statutory and General Information below.

### FUNDS AVAILABLE FOR INVESTMENT

The net proceeds of the issue are estimated to amount to £1,415,000 after expenses. In addition, the Company has negotiated a loan facility of £500,000 with Chemical Bank International Limited, drawings under which will be secured on investments (material contract (i) below). Total funds available for investment, therefore, will, subject to the terms of the facility, amount to approximately £1,915,000.

### REASONS FOR THE ISSUE

The concept of the split capital trust was first introduced to the United Kingdom in the mid 1960's. There are now 24 such trusts whose shares are listed on The Stock Exchange of which 22 have income shares which are entitled to all or substantially all of the income available for distribution ("the 22 income shares"). Their two tier structure was designed to enable a single investment trust to meet the requirements of investors with different objectives. Income shares were designed to attract investors seeking a high dividend yield who were prepared to forego the right to participate in any growth in the value of the net assets of the trust. Capital shares, on the other hand, were designed to attract investors who were prepared to surrender the right to income in exchange for the right to receive the benefit of any rise in the value of the net assets of the trust.

The Directors have established that there is a demand for a new split capital trust and have formed the Company with a view to meeting this demand. Interest in the Company has been expressed by a number of investors and the Directors intend to accept firm applications limited to 780,000 Units, representing 65 per cent. of the total share capital of the Company issued and to be issued. The balance of the Units now offered for subscription has been underwritten by Sheppards and Chase (material contract (ii) below).

### INCOME SHARES AND CAPITAL SHARES

**Income Shares**

Dividend yields on income shares have tended to move in line with long term interest rates as represented by yields on undated gilt edged securities, such as Consolidated 2½% Stock ("Consols 2½%"). However, the dividends paid on most income shares have increased since their inception, while the interest paid on Consols 2½% is fixed. Over the five years ended 30th March, 1979, the average yield on ordinary shares as represented by the Financial Times Actuaries All-Share Index ("the Index") has consistently been substantially lower than the average dividend yield on the 22 income shares.

The compound annual growth rates from 29th March, 1974 to 30th March, 1979 resulting from having invested £1,000 in each of the 22 income shares, £22,000 in Consols 2½% and a theoretical investment of £22,000 in the Index is shown in the table below:—

| | the 22 income shares £ | Consols 2½% £ | the Index £ |
|---|---|---|---|
| Capital invested at 29th March, 1974 (excluding expenses) | 22,000 | 22,000 | 22,000 |
| Capital value at 30th March, 1979 | 43,784 | 29,764 | 49,515 |
| Gross income over 5 years | 19,222 | 16,176 | 9,578 |
| Total | 63,006 | 45,940 | 59,093 |
| **Equivalent to a compound annual growth rate of** | 23.4% | 15.9% | 21.8% |
| Yield on investment at 29th March, 1974 | 13.1% | 14.7% | 6.2% |
| Yield on capital value at 30th March, 1979 | 10.7% | 10.9% | 4.9% |

The gross income on the Index is calculated with reference to the yield on the Index at the end of March in each of the years from 1975 to 1979 inclusive.

On 30th April, 1979, the latest practicable date prior to the publication of this prospectus, the average yield on the 22 income shares was 10·8%, on Consols 2½%, 10·7% and on the Index, 4·8%.

The Directors consider that the historical relationship between the individual yields on the 22 income shares and the yield on Consols 2½% is sufficiently well established for it to be regarded as a reasonable guide to the likely future price movements of income shares in general, although the market price of any individual share will become increasingly influenced by its liquidation price as it nears the end of its life.

**Capital Shares**

The market prices of capital shares do not generally reflect fully the value of the underlying assets attributable to them until liquidation. Factors influencing the price of a capital share during its life include the value of the attributable assets, the trust's capital structure, its remaining life and the notional cost of foregoing income. The market prices of capital shares are influenced by these factors to varying degrees and accordingly the Directors do not consider that an examination of the historical price movements of capital shares will necessarily provide a reliable guide to the likely performance of the Capital Shares of the Company.

The Directors believe that one of the most important considerations when assessing the long term investment merits of a capital share is the relationship between the value of a trust's total investment portfolio and the asset value attributable to its capital shares. Any change in the value of the portfolio has a proportionately greater effect on the value of the assets attributable to the capital shares. Accordingly the value of the attributable assets will fluctuate more widely than the value of the trust's portfolio but holders of capital shares will receive the full benefit of any growth in their attributable assets on liquidation of the trust.

Out of the total funds of the Company available for investment of approximately £1,915,000, the initial cash amount attributable to the Capital Shares is £455,000, equivalent to 3.79p per share.

### INVESTMENT POLICY

The Directors intend to invest the funds available in a wide range of listed ordinary shares and fixed income securities, primarily of companies registered in the United Kingdom. Their aim will be to create a balanced portfolio to achieve a high initial income, satisfactory growth in that income and capital appreciation. The portfolio will provide the Company mainly with franked investment income but with sufficient unfranked income to meet its estimated running expenses.

The Directors intend that the Company will satisfy the conditions required for it to be approved as an investment trust in accordance with section 359 of the Income and Corporation Taxes Act 1970 (as amended).

Not more than 10 per cent. of the assets of the Company and any subsidiary ("the Group") (before deducting borrowed money) may be lent to or invested in the securities of any one company (other than those of another investment trust which has been approved by the Inland Revenue or which would qualify for such approval but for the fact that it is not yet listed) including loans to or shares in its own subsidiary.

Not more than 15 per cent. of the Group's assets (before deducting borrowed money) may be invested in (a) securities not listed on any recognised stock exchange (for which purpose securities dealt in "over-the-counter" in the United States of America and Canada are treated as listed securities), and (b) holdings in which the Group's interests exceed 20 per cent. of the aggregate of the equity capital (including any capital having an element of equity) of any one listed company (other than another investment trust which has been approved by the Inland Revenue or which would qualify for such approval but for the fact that it is not yet listed).

The distribution as dividends of surpluses arising from the realisation of investments is prohibited by the Company's Articles of Association.

### INVESTMENT MANAGERS

The management of the investment portfolio will be undertaken by Carliol Investment Management Limited (material contract (iii) below). Carliol Investment Management Limited is owned 66⅔ per cent. by Carliol Investment Trust Limited and 33⅓ per cent. by The Tyneside Investment Trust Limited. The Carliol/Tyneside Group has under management funds in the region of £36,000,000.

### DIRECTORS

Mr. Archibald Clowes, the Chairman, is 56 years old and has been a member of The Stock Exchange since 1953. He is a senior partner in Sheppards and Chase, members of The Stock Exchange.

Mr. Stephen Cockburn is 39 years old and is a director of a number of public companies. He has been engaged professionally in the management of portfolio investments for over sixteen years and since 1971 has been a director of several split capital and orthodox investment trusts. He is an executive Director of Rivermoor Management Services Limited, which manages six quoted investment trusts, including three split capital trusts, with total assets in excess of £100,000,000.

Mr. Peter Hill-Walker is 36 years old and is Managing Director of Carliol Investment Trust Limited, The Tyneside Investment Trust Limited and Carliol Investment Management Limited. He has been employed by the Carliol/Tyneside Group for over eight years, having previously worked for six years in the shipping industry.

### DIVIDENDS

The Directors expect to declare in each year dividends payable on or about 30th June and 31st December. Total annual dividends are expected to amount to approximately 95 per cent. of all the Company's income available for distribution in each year.

The dividend in respect of the first accounting period ending 31st October, 1979 will be recommended on or about 30th November, 1979. The amount of this dividend will depend on the rate of investment of the Company's funds and, therefore, the income available for distribution cannot be predicted with accuracy at this stage.

When the Company's funds have been fully invested and after allowing for the estimated levels of management, administrative and borrowing costs, the Directors expect the Company, on the basis of present yields, to receive income at a rate which would permit the payment of dividends in a full year aggregating 4p per Income Share, which, together with the associated tax credits on the present basis of taxation, is equivalent to 5.97p gross per Income Share.

### ACCOUNTS

The first accounts will be made up for the period ending 31st October, 1979. The asset values of the Income Shares and of the Capital Shares will be published quarterly in the Financial Times.

## STATUTORY AND GENERAL INFORMATION

**TAXATION**

The Directors consider that the Company is unlikely to be a close company immediately following the completion of the issue now being made. On the basis that the Company is approved as an investment trust in accordance with section 359 of the Income and Corporation Taxes Act 1970 (as amended), any chargeable gains realised by the Company will, under the existing system, be chargeable to Corporation Tax at the rate of 10 per cent. Under existing legislation, a shareholder disposing of his Capital Shares in the Company will be entitled to a tax credit of up to 10 per cent of the amount of any gain.

**ACCOUNTANTS' REPORT**

Southwark Towers,
32 London Bridge Street,
London SE1 9SY.
3rd May, 1979

The Directors
Pleasantworld Limited.

Dear Sirs,

We report that Pleasantworld Limited was incorporated on 6th November, 1978 and since that date has not traded, prepared any accounts or declared or paid any dividends.

Yours faithfully,
Price Waterhouse & Co.,
Chartered Accountants

**SHARE CAPITAL**

The Company was incorporated in England under the Companies Acts 1948 to 1976 on 6th November, 1978 with an authorised share capital of £100 divided into 100 ordinary shares of £1 each, of which 2 were issued for cash at par. At an Extraordinary General Meeting held on 3rd May, 1979 a resolution was passed:—

(i) sub-dividing each of the issued and unissued shares of the Company into 4 Income Shares of 25p each;
(ii) increasing the authorised share capital of the Company to £1,125,000 by the creation of 15,000,000 Capital Shares of 2½p each and 2,999,600 Income Shares of 25p each, and
(iii) adopting new Articles of Association setting out the respective rights of the Income Shares and the Capital Shares and converting the Company into a public company.

**ARTICLES OF ASSOCIATION**

The Articles of Association of the Company contain (*inter alia*) provisions to the following effect:—

**Directors**

(i) The ordinary remuneration of the Directors will from time to time be determined by an Ordinary Resolution of the Company. Any Director who performs special or extra services may be paid such special remuneration by way of lump sum, salary, commission or otherwise as the Directors may determine.
(ii) A Director need not be a member of the Company but is entitled to receive notice of, attend and speak but not vote at any general meeting.
(iii) A Director need not retire upon reaching the age of seventy.
(iv) A Director may not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest other than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A Director may not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. A Director may nevertheless vote in respect of:—
 (a) any contract or arrangement for giving to such Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company;
 (b) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company which the Director has himself guaranteed or secured in whole or in part;
 (c) any contract or arrangement by a Director to subscribe for or underwrite shares, debentures or other securities of the Company;
 (d) any contract or arrangement with a corporation in which the Director is interested only by reason of his being an officer, creditor or member of such corporation or beneficially interested in securities of that corporation;
 (e) any exercise of the powers conferred on the Directors to grant pensions, annuities or other allowances and benefits or of any power associated therewith other than the award to him of any benefit under an arrangement not falling within sub-paragraph (f) immediately below, and
 (f) any arrangement for the benefit of employees under which the Director benefits in a similar manner as the employees.

**Borrowing Powers**

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking and property (both present and future) including uncalled capital. The aggregate amount for the time being owing by the Company and any subsidiary ("the Group") in respect of moneys borrowed by them (exclusive of moneys borrowed by any member of the Group from any other member) may not at any time, without the prior sanction of the Company in General Meeting, exceed a sum equal to twice the Adjusted Capital and Reserves (as defined in the Articles) or, until audited accounts of the Company have been prepared, £1,000,000.

**Dividends and Income**

(i) The Capital Shares carry no right to dividend out of the profits of the Company available for distribution by way of dividend. All the profits of the Company available for distribution by way of dividend shall belong to the holders of the Income Shares. Dividends from the profits of the Company available for distribution as at 31st October and 30th April in each year will be paid to the holders of the Income Shares on or about 31st December and 30th June respectively in each year, the first such payment to be made on or about 31st December, 1979.
(ii) All dividends paid out of revenue profits or revenue reserves by a company in which the Company holds securities and not capitalised by that company and any payments of interest or other receipts of an income nature will be received by the Company as income to be credited to the revenue account and will after any adjustments or provision for tax or contingencies have been made which in the opinion of the Directors may be desirable (but so that when any such provision or part thereof is no longer needed, the amount thereof will be written back to the credit of revenue account) be profits available for distribution amongst the holders of the Income Shares in accordance with their respective rights.
(iii) Any receipts of a capital nature or anything received by the Company by way of reduction or other return of capital, capital redemption reserve fund or share premium account, or by way of capitalisation of reserves of any company in which the Company holds securities will be received by the Company as capital and all moneys realised on or derived or arising from the sale, realisation, payment off or other disposal of any capital asset of the Company in excess of the value of the same at cost in the books of the Company after deducting the amount of any taxation arising by virtue of such disposal will be received by the Company as capital and if appropriate shall be transferred to Capital Reserve.
(iv) In cases of difficulty in putting into effect the foregoing provisions the Directors may in their sole discretion determine whether any moneys received by the Company are income or capital or the ratio in which they will be apportioned between income and capital.

**Capital Reserve**

The Directors will establish a reserve fund to be called "the Capital Reserve". The Capital Reserve will consist only of the net appreciation whether realised or not of the Company's investments including investments in its subsidiaries for the time being. Any loss on the sale of capital assets will be carried to the debit of the Capital Reserve, except in so far as the Directors may in their discretion decide to make good the loss out of other funds of the Company and there shall be debited to the Capital Reserve such amounts as the Directors may from time to time consider appropriate to provide for any liability whether contingent or otherwise for taxation in respect of capital gains. All moneys realised from the sale of any capital assets of the Company in excess of the cost of acquisition thereof will be carried to the credit of the Capital Reserve. The sums for the time being standing to the credit of the Capital Reserve and all other moneys in the nature of accretions to capital, whether on sale of investments or otherwise, will be treated for all purposes as capital moneys and not as profits available for dividend, but may be used for any purpose to which the capital of the Company may be applied, including in particular (without prejudice to the general terms of the Articles) the writing down of the expenses of formation of the Company and issues of capital and debentures and any discount on debentures issued.

**Rights on a Winding-Up**

On a return of assets on a winding-up or otherwise, the surplus assets of the Company will be applied as follows:—

(i) in paying to the holders of the Income Shares the amount of any profits available for distribution standing to the credit of the revenue account in proportion to the nominal amounts paid up on such shares held by them respectively;
(ii) in paying to the holders of the Income Shares 40p per share on such shares held by them respectively; and
(iii) the balance of such assets will belong to and be distributed amongst the holders of the Capital Shares in proportion to the nominal amounts paid up on such shares held by them respectively.

**Alteration of Rights**

Subject to the provisions of section 72 of the Companies Act 1948, all or any of the special rights or privileges attached to any class of shares in the capital of the Company for the time being may at any time, as well before as during liquidation, be modified, affected, altered or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of the class or with the sanction of an Extraordinary Resolution passed at a separate General Meeting of the holders of shares of the class. All the provisions contained in the Articles relating to General Meetings *mutatis mutandis* apply to every such meeting, but so that the quorum thereof will be not less than two persons personally present and holding or representing by proxy one-third of the issued shares of the class, and that each holder of shares of the class present in person or by proxy will on a poll be entitled to one vote for each share of the class held by him; and if at any adjourned meeting of such holders such quorum as aforesaid is not present, any two holders of shares of the class who are personally present will be a quorum.

**Further Issues**

(i) Except with the sanction or consent of the holders of the Capital Shares and of the holders of the Income Shares as provided in the Articles, the Directors may not allot or otherwise dispose of any of the unissued Capital Shares or Income Shares in the capital of the Company otherwise than *pro rata* to the numbers of Capital Shares and Income Shares respectively in issue immediately prior to such allotment or disposal.
(ii) Subject as aforesaid all unissued shares are at the disposal of the Directors, and they may allot, grant options over or otherwise deal with or dispose of the same to such persons, at such times, and generally on such terms as they think proper, but so that no such shares may be issued at a discount except in accordance with section 57 of the Companies Act 1948.
(iii) Subject as aforesaid the Company may upon the recommendation of the Directors by Ordinary Resolution resolve that any sum for the time being standing to the credit of the Capital Reserve or Share Premium Account (other than that part resulting from the issue of Income Shares) or Capital Redemption Reserve Fund be capitalised and applied in paying up in full unissued Capital Shares which shall be allotted and distributed credited as fully paid to and amongst the holders of the issued Capital Shares in proportion to the capital paid up on such Capital Shares held by them respectively and such unissued Capital Shares shall be allotted and distributed credited as fully paid up accordingly.

**Duration of the Company**

The Directors will at any time on or after 1st January, 1991 and before 31st December, 1994, convene an Extraordinary General Meeting of the Company and procure that a Resolution will be proposed thereat pursuant to section 278(1) of the Companies Act 1948 requiring the Company to be wound up voluntarily. Every shareholder present in person or by proxy and entitled to vote is required to vote in favour of such Resolution.

**Voting**

On a show of hands every member present in person has one vote. On a poll each holder of Income Shares will have one vote in respect of each Income Share held by him and the holders of the Capital Shares will be entitled between them to an aggregate number of votes equal to the aggregate number of votes for the time being exercisable on a poll in respect of the Income Shares. Each holder of Capital Shares will be entitled to his due proportion (including where necessary a fraction of a vote) of the total votes to which the holders of Capital Shares are between them entitled.

**DIRECTORS AND SUBSTANTIAL INTERESTS**

Immediately after completion of this offer for subscription the Directors and their respective families will have no interest in the issued share capital of the Company, except as disclosed below, nor will the Directors have service agreements.

Mr. A. S. Clowes is a partner in Sheppards and Chase, which firm will be receiving a fee and underwriting commission in connection with this offer for subscription (material contract (ii) below).

Mr. P. A. Hill-Walker is a director of Carliol Investment Management Limited, which has entered into a management agreement with the Company (material contract (iii) below).

Each director will initially receive annual remuneration of £1,000.

Immediately following this offer for subscription, in accordance with its/their firm application(s), the following interests in the share capital of the Company will be held by:—

| | Income Shares of 25p each | Capital Shares of 2½p each |
|---|---|---|
| (i) the Directors and their families:— | | |
| A. S. Clowes | 5,600 | 28,000 |
| S. J. Cockburn | 2,000 | 10,000 |
| (ii) parties interested in five per cent. or more of the issued share capital:— | | |
| Truscon Limited | 180,000 | 900,000 |
| Ionian Securities Limited | 523,200 | 2,616,000 |
| Jove Investment Trust Limited | 200,000 | 1,000,000 |

Firm applications will be made by:—

(i) clients of Sheppards and Chase for 182,850 Units;
(ii) investment trusts (including Jove Investment Trust Limited), of which Mr. S. J. Cockburn is a director, and certain funds managed by him, for 165,000 Units, and
(iii) investment trusts, of which Mr. P. A. Hill-Walker is a director, for 40,000 Units.

Save as disclosed herein, the Directors are not aware of any person or company who will have a beneficial interest in 5 per cent. or more of the issued share capital of the Company.

**MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company since incorporation and are or may be material:—

(i) dated 3rd May, 1979 between the Company (1) and Chemical Bank International Limited ("the Bank") (2) whereby the Bank agreed, on the terms of its commitment letter, to make available a facility of £500,000 to a subsidiary of the Company, yet to be incorporated, at the rate, subject to certain provisions, of 1 per cent. over the London inter bank offered rate from time to time for 3 or 6 month sterling deposits or for such other period as the Company and the Bank may agree, the payment of the principal and interest and other moneys due under the facility by the borrower to be guaranteed by the Company and to be secured on the investments of the Company and the borrower;
(ii) dated 3rd May, 1979 between the Company (1) and Sheppards and Chase (2) whereby Sheppards and Chase agreed, subject to the whole of the issued share capital of the Company being admitted to the Official List not later than 18th May, 1979, to underwrite the issue of 420,000 of the Units now offered for subscription at 125p per Unit for a commission (exclusive of value added tax) of 1½ per cent.; and
(iii) dated 3rd May, 1979 between the Company (1) and Carliol Investment Management Limited (2) whereby Carliol Investment Management Limited agreed with effect from 3rd May, 1979 to provide management services, including office accommodation and clerical staff, and to act as investment advisers to the Company for a period of 3 years, thereafter determinable by either side on 12 months' notice, for a half-yearly fee of £2.00 per £1,000 of the gross value of the securities and cash held at 30th April and 31st October in each year, with a minimum of £2,800 per half-year.

**GENERAL**

(i) Save as disclosed herein:—
 (a) no share or loan capital of the Company has been issued or agreed to be issued for cash or otherwise since incorporation, and
 (b) no commissions, discounts, brokerages or other special terms have been granted by the Company since incorporation in connection with the issue of any share or loan capital.
(ii) No share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
(iii) No material issue of shares (other than to shareholders *pro rata*) will be made within one year of the date hereof and no further issue of share capital will be made which would, to the knowledge of the Directors, alter the control of the Company or the nature of the business without, in either case, prior approval of the shareholders in general meeting.
(iv) The Company is not engaged in any litigation and does not have any claim of material importance pending or threatened by or against it.
(v) The minimum amount which in the opinion of the Directors must be raised by the issue of the 2,400,000 Income Shares and the 12,000,000 Capital Shares is £1,500,000 of which £85,000 is required to provide for the payment of preliminary expenses and the estimated expenses of the issue with the balance being used as funds for investment.
(vi) The costs, charges and expenses of and incidental to the issue of this prospectus including printing and advertising costs, capital duty, accountancy and legal charges, the fees payable to the receiving bankers and to The Stock Exchange and the commission and fee payable to Sheppards and Chase are payable by the Company and are estimated to amount to £85,000 (inclusive of value added tax). Preliminary expenses are estimated to amount to £250 and are also payable by the Company.
(vii) Save as mentioned herein, no amount or benefit has been paid or given to any promoter of the Company and none is intended to be paid or given.
(viii) Price Waterhouse & Co. have given and have not withdrawn their written consent to the issue of this prospectus with the inclusion herein of their Report set out above in the form and context in which it is included.
(ix) The above written consent and copies of the material contracts mentioned above have been attached to the copy of this prospectus delivered to the Registrar of Companies for registration.
(x) Copies of the following documents will be available for inspection at the offices of Macfarlanes, Dowgate Hill House, London EC4R 2SY, during usual business hours on any weekday (Saturdays and bank holidays excepted) for a period of 14 days from the date of publication of this prospectus:—
 (a) the Memorandum and Articles of Association of the Company;
 (b) the material contracts mentioned above, and
 (c) the Report and written consent mentioned above.

**APPLICATION FORM OPPOSITE**

3rd May, 1979

## J. Hewitt & Son (Fenton) Limited

Manufacturers of domestic and industrial refractories, kiln furniture and electrical porcelain.

| | 1978 £'000s | 1977 £'000s | 1976 £'000s | 1975 £'000s |
|---|---|---|---|---|
| Sales | 2,787 | 2,288 | 2,256 | 1,688 |
| Profit before tax | 311 | 214 | 250 | 135 |
| Cost of dividends | 31 | 25 | 22 | 21 |
| Earnings per share | 9.2p | 6.3p | 6.7p | 4.5p |

*Extracts from the Statement by the Chairman, Mr. J. K. Hewitt:–*

Turnover and profit reached record levels. Profit for the year is 45% higher than for 1977 and turnover increased by 22%. The company's land and buildings were professionally valued in 1978 and this largely accounts for the increase in the book value of fixed assets from £643,353 to £1,367,411. Earnings per share at 9.2p show a welcome increase of 2.9p and your Board recommend that the dividend be increased to 1.2776p per share which is the maximum permitted and is covered 7.24 times.

Exports during the year fell in value from £501,416 to £419,630, due to a reduction in sales to one major customer. Export sales for 1979 are expected to be at a higher level than achieved in 1977, reflecting the efforts made to expand and develop overseas markets in the last few years. The current year has started with a full order book and prospects are good.

# BUSINESS AND INVESTMENT OPPORTUNITIES

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

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Please ask your Accountant or Solicitor to WRITE to us for details on your behalf.

(We regret that no telephone enquiries can be accepted.)

Managing Director (Ref. P).
Ackrill, Carr & Partners Limited.
Tricorn House, Five Ways, Birmingham B16 8TP.

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## CONTRACTS AND TENDERS

ELECTRICITY GENERATING AUTHORITY OF THAILAND

KHAO LAEM MULTIPURPOSE PROJECT

Invitation for Bids No. EGAT-KL-T2 for Right Abutment Cut-off

Sealed bids are invited for the construction and completion of the right abutment cut-off and appurtenant works of Khao Laem Multipurpose Project according to Invitation for Bids No. EGAT-KL-T2 which will be publicly opened on Wednesday, 1st August, 1979.

Principal features of the work include six underground galleries of total length approximately 22,000 metres and the drilling and grouting of approximately 300,000 metres of test holes from the galleries together with the filling of any major Karstic cavities encountered.

Bidding Documents can be examined and purchased as from Monday, 14th May, 1979, at US$ 200 or Baht 4,000 for the first set and US$ 50 or Baht 1,000 per set of additional copies from:

Foreign Procurement Section
Foreign Procurement Division
Supply and Procurement Department
Electricity Generating Authority of Thailand
Nonthaburi, Thailand, or
Snowy Mountains Engineering Corporation
Cooma North, NSW 2630, Australia.

Only bids from firms or joint ventures of member countries of the International Bank for Reconstruction and Development and Switzerland will be considered.

ELECTRICITY GENERATING AUTHORITY OF THAILAND

*1st May, 1979.*

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## UNITED STATES INVESTMENT IN GAS VENTURE

An opportunity to participate in a gas drilling programme on 5,000 acres of leases in the U.S. is being offered.

Three exploratory wells have been drilled and all are now in production. A total of U.S.$4,100,000 is to be raised in the form of U.S.$1,000 a share with a minimum subscription of ten shares.

Seriously interested parties should contact VANTAGE SECURITIES, INC. as indicated below for a prospectus containing detailed information.

VANTAGE SECURITIES, INC.
Apartado 8666, Panama 5, R.P. Telex: 3480151 Via ITT

## BUSINESSES FOR SALE

### Manufacturer of Expanded Perlite

for horticultural and refractory products and non-combustible ceiling tiles and high-temperature insulation board.

FULLY EQUIPPED FACTORY

25,000 sq. feet freehold situated East Anglia.

Management available.

Interested parties should address enquiries to

Box 6355, Reynells
Eldon Chambers, 30/32 Fleet Street
London EC4Y 1AA

### ENGINEERING COMPANY FOR SALE
### MIDLANDS BASED

Market leader product. Turnover £1.5 million
First-class record of growth and profit

*Write Box G.3711, Financial Times, 10, Cannon Street, EC4P 4BY.*

### RETIRED AT THE TOP

City firm engaged in financial management and tax planning require

TOP-LEVEL NEGOTIATOR

to assist in servicing many high-value and confidential projects. Applicants must be of impeccable background with a wide and sound business experience, not necessarily in this field. Interesting full- or part-time involvement with investment of £15,000 and profit-sharing.

*Write Box G.3766, Financial Times, 10, Cannon Street, EC4P 4BY.*

### SENIOR PARTNERS OF MAYFAIR ESTATE AGENTS

specialising in commercial property, seeks financial partner interested in forming property development company.

*Write Box G3784, Financial Times 10 Cannon Street, EC4P 4BY*

### CI TAXATION SERVICES

Specialist taxation practitioners to the legal and accountancy professions acting as company formation agents throughout the free world, announce further expansion of their services during 1979. Our referal and 'in house' international tax and legal service has also been greatly supplemented. Further enquiries, both long and short term, are invited from industry and the professions.

*Contact us on:*
UK (0624) 4288 - Telex: 627384
FINCH ROAD, DOUGLAS, I.o.M.

### AGENT REQUIRED

We are a Company fabricating pipework and pressure vessels with a turnover of £¼m serving the Petrochemical, Water, Gas and Allied Industries and seek representation to generate more business in UK and overseas. *Write in confidence to*
Managing Director
Biggs Wall Fabricators Limited
Arlesey, Beds SG15 6RT

### NON EXECUTIVE DIRECTOR

Managing Director, ex Consultant available to assist Company Owners/M.D.s to improve profits and cash flow, extensive commercial experience and general business counsel.

*Write Box G.3787, Financial Times, 10, Cannon Street, EC4P 4BY.*

### SOUTH WEST AGENCY

Administrative services (commercial and technical) available in Bristol Central) including office for occasional meetings, with glazed ground floor graphics display area. Suitable for companies in need of sales contact service only for production machinery and equipment, or similar. Terms by arrangement. Please reply Box G.3788, Financial Times, 10, Cannon Street, London, EC4P 4BY.

### REINFORCED PLASTICS/GRP

Well established reinforced plastics moulding company, having expanded factory premises and management team, seeks propositions/projects or sub-contract work. 'In house' metal fabricating capacity. *Write or phone:* Reg Andrews or Tony Champion, Polystructures Ltd., Botley Road, North Baddesley, Southampton SO5 9DQ. Tel: Rownhams (0703) 733933/5.

### ACCOUNTANT 32

Requires additional finance to launch new and novel concept of an existing consumer product with large potential market in UK, W. Europe and N. America. (Prototype already completed.) Sum required in whole or in part, £11,000. Willing to consider active participation.

*Write Box G3789, Financial Times 10 Cannon Street, EC4P 4BY*

### SMALL PRIVATE COMPANY

(turnover £½ million) based in East Devon not far from Exeter has available 3,000 sq. ft. of factory space and wishes to combine with enterprising individual or company to use this area to the best advantage (manufacturing business preferred). *Write Box G.3790, Financial Times, 10, Cannon Street, EC4P 4BY.*

### IMPORTERS EXPORTERS

Find new business leads in Import/Export Opportunities Digest, the new monthly listing of overseas companies who are currently and actively seeking trade contacts with their British counterparts.

For details write to:
Import/Export Opportunities, Dept. F1,
15, Selvage Lane, London NW7 3SS

### BOOK-PUBLISHING COMPANY FOR SALE

Long established, specialising in military and sporting subjects. Central London premises including bookshop and warehousing.

*Write Box G.3754, Financial Times, 10, Cannon Street, EC4P 4BY.*

### If you Own or are Purchasing any type of modern OCEAN-GOING VESSEL

then ship management subsidiary of currently Britain's most successful ship-owning group will manage your vessels with the same care and consideration as their own under either British or foreign flag.

*Write Box G.3050, Financial Times, 10, Cannon Street, EC4P 4BY.*

### LARGE LIMITED COMPANY

Invites enquiries and quotes on exceptional value for money lines in the domestic field, all the better should they be unique lines. Large quantities preferred but not essential.

*Please reply to Box G 3763, Financial Times, 10, Cannon Street, EC4P 4BY.*

### MORTGAGES AVAILABLE

Residential up to £250,000 maximum
Commercial up to £2,000,000 maximum
Bridging and Corporate Finance arranged.

*Write Box G.3315, Financial Times, 10, Cannon Street, EC4P 4BY.*

### PACKAGING

INTERNATIONAL GROUP

seeks investment opportunities in existing board packing companies and start-up situations worldwide.

*Write with proposals to:*
Box G.3527, Financial Times, 10, Cannon Street, EC4P 4BY.

### NEW PRODUCTS

Well established company manufacturing and selling to health equipment and leisure markets will listen to new business propositions.

*Write Box G.3652, Financial Times, 10, Cannon Street, EC4P 4BY.*

### ENTREPRENEUR

with British Registered Design and Patents Pending

for revolutionary fuel cost saving domestic boiler requires investors to participate in new Company for manufacture and marketing of same.

*Apply in the first instance to:*
Roger Oaten & Partners,
Chartered Accountants,
5, Priory Road, Clifton, Bristol.

### LIFTS

FOR ALL YOUR LIFT PROBLEMS CALL EASTON ELEVATOR CO. LTD.

New Lifts - Modernisation
Repair and Maintenance
(24-hour Radio Call)
Modernisation to Health & Safety Act Standards our speciality.
*TEL: ROMFORD 751144*
*TELEX 27975*
*82 Como Street, Romford, Essex, RM7 7DT.*

### NEW PRODUCTS FROM U.S.A.

Consultant, resident USA, offers services in product search, licensing, commercial intelligence & market research: specialising in diversification, new business opportunities

*Write Box G3791, Financial Times 10 Cannon Street, EC4P 4BY*

**FABRICATION WORK REQUIRED.** Steel fabricators require work—small or large—good delivery anywhere in UK. Phone Rugby 75054.

**POLAROID SUNGLASSES,** minimum 100,000, £1 10 pair, air freight. Avril Wilson. 01-491 1452.

**UPDATABLE MICROFICHE SYSTEMS.** Atlanta, May 8-11. The Committee.

**£1 A WEEK FOR EC2** address or phone messages. Combined rates plus telex under £3 a week. Prestige offices near Stock Exchange. Message Minders International. 01-628 0898. Telex 8811725.

### FORMER ALLIED MEMBER NEW YORK STOCK EXCHANGE

Internationally recognised with unique knowledge American market, seeks association with investment house in London

*Write Box G3785, Financial Times 10 Cannon Street, EC4P 4BY*

### SUPERIOR SURFACE COATINGS

For roof repairs, floor coatings, wall protection and decoration, there's nothing to match our unique and extremely durable range of plastic coatings.

PLASTICS AND RESINS LTD., Cleveland Road, Wolverhampton, WV2 1BU. 'Phone: 0902 53215

### CONTENTS OF ALDWYCH OFFICE
and Other Sources

Fine mahogany Scandinavian style desk listed £800—our price £350. 8 Conference Chairs, fully upholstered green cloth, £120 the lot. Executive Desk, shaped top line, £110. 6ft Executive Desk, lined top, teak colour, £90. Reception area settee and 2 easy chairs, would cost today about £1,000. Our price £200. For all these and other bargains call:
"COMMERCIAL," 01-837 9863
329, Grays Inn Road, London, W.C.1

### IBM ELECTRIC TYPEWRITERS

Factory reconditioned and guaranteed by IBM
Buy, save up to 30%
Lease 3 years from under £5 weekly
Rent from £25 per month
Tel: 01-641 2365

### LIMITED COMPANIES

FORMED BY EXPERTS
FOR £78 INCLUSIVE
READY MADE £83
COMPANY SEARCHES
EXPRESS CO. REGISTRATIONS LTD.
30 City Road, EC1
01-628 5434/5, 7361, 9336

### BRAZIL

British businessman specialising in exports, technology licensing/Transfers and Investments/Joint Ventures in Brazil will undertake Commissions

*Write Box G3786, Financial Times 10 Cannon Street, EC4P 4BY*

### INDIA-EXPORTS-IMPORTS

Qualified motor engineer/materials handling specialist / sales expert visiting India 1979/80. Available for Export Sales Survey, Technical Representation, Market Investigation and Product Research.

*Tel: GH on 01-353 1133 for further information and appointment for preliminary discussions*

### Are you Experiencing Liquidity Problems

Private source prepared to consider capital injection
KONRAD ROBERTS LTD.
P.O. Box 19, Croydon CR9 1AP
Tel: Tadworth 2873

**CONTROLLING INTEREST** available in company in Infrared products. Located in Ireland—tax free status. Good export market. Price below net asset value. Business Sales Limited. 105 Commercial Road, Bournemouth (0202) 293453

**BUSINESSMEN** with commercial interests in Iran please contact Box G.3792, Financial Times, 10, Cannon Street, EC4P 4BY.

### PLANT AND MACHINERY

**GENERATORS** to 3,000 KVA, new, reconditioned, used. Herbert Pool Ltd. Telex 858170. Tel. 02514 20444.

## PLANT & MACHINERY SALES

| Description | Telephone |
|---|---|
| GUILLOTINE 8ft ¼in capacity Pearson, hydraulics operation, powered back stop spare shear blades | |
| ROLLING MILLS<br>5in x 12in x 10in wide variable speed Four High Mill<br>3.5in x 8in x 9in wide variable speed Four High Mill<br>10in x 16in wide fixed speed Two High Mill<br>6in x 16in x 20in wide Four High Mill<br>20in x 30in x 350 H/P Two High Reversing Mill<br>10in x 12in wide fixed speed Two High Mill<br>16in x 16in wide fixed speed Two High Mill | 0902 42541/2/3<br>Telex 336414 |
| 1970 CUT-TO-LENGTH max. capacity 1,000 mm 2 mm x 7 tonnes coil fully overhauled and in excellent condition | 0902 42541/2/3<br>Telex 336414 |
| STRIP FLATTEN AND CUT-TO-LENGTH LINE by A.R.M. Max. capacity 750 mm x 3 mm | 0902 42541/2/3<br>Telex 336414 |
| FARMER NORTON 18in WIDE CUT-TO-LENGTH LINE Max. capacity 15in x 10 s.w.g. | 0902 42541/2/3<br>Telex 336414 |
| RWF TW STAND WIRE FLATTENING AND STRIP ROLLING LINE, 10in x 8in rolls x 75 hp per roll stand. Complete with edging rolls, turkn' head, flaking and fixed recoiler, air gauging, etc. Variable line speed 0/75 ft/min and 0/1,500 ft/min | 0902 42541/2/3<br>Telex 336414 |
| SLITTING LINES (2) 300 mm and 920 mm | 0902 42541/2/3 |
| BAR AND UBE REELING & STRAIGHTENING MACHINE by Platt. Max. capacity 2in Bar 2.50in tube capacity | 0902 42541/2/3<br>Telex 336414<br>Telex 336414 |
| 8 BLOCK (400 mm) IN LINE, NON-SLIP WIRE DRAWING machine in excellent condition, 0/2,000 ft/in variable speed, 10 h.p. per block (1968) | 0902 42541/2/3<br>Telex 336414 |
| SIX BLOCK (22in x 25 h.p.) IN LINE NON-SLIP VARIABLE SPEED WIRE DRAWING MACHINE by Marshall Richard | 0902 42541/2/3<br>Telex 336414 |
| 9 DIE 1,750 ft/min SLIP TYPE ROD DRAWING MACHINE equipped with 3 speed 200 h.p. drive 20in. Horizontal Draw Blocks 22in Vertical Collecting Block and 1,000 lb Spooler. (Max. inlet 9 mm finishing down to 1.6 mm copper and aluminium) | 0902 42541/2/3<br>Telex 336414 |
| 7, 9 and 17 ROLL FLATTENING AND LEVELLING MACHINES, 20in, 36in, 59in and 72in wide | 0902 42541/2/3<br>Telex 336414 |
| HYDRAUIC SCRAP BALING PRESS by Fielding and Platt, 85 ton main ram pressure | 0902 42541/2/3<br>Telex 336414 |
| TYPE 1000F CINCINNATI PLATE SHEAR max. capacity 1,250 mm x 25 mm M.S. Plate, complete with full range of spares | 0902 42541/2/3<br>Telex 336414 |
| No. 1 FICEYP SHEAR, max. capacity 50 mm rounds 75 mm x 35 mm bar 400 mm x 10 mm flats (spare shear blade) | 0902 42541/2/3<br>Telex 336414 |
| 1974 FULLY AUTOMATED COLD SAW by Noble & Lund with batch control | 0902 42541/2/3<br>Telex 336414 |
| 3 CWT MASSEY FORGING HAMMER—pneumatic single blow | 0902 42541/2/3<br>Telex 336414 |
| 36 Dia. HORIZONTAL BULL BLOCK by Farmer Norton 75 H/P variable speed drive | 0902 42541/2/3<br>Telex 336414 |
| TWO SPEED REVERSING ROLLING MILL, equipped with 20in dia x 30in wide rolls. Twin recoilers and 350 h.p. drive | 0902 42541/2/3<br>Telex 336414 |
| HERDIECKERHOFF 100 WK VACUUM HEAT TREATMENT FURNACE complete with 40 cooling station, vacuum pump and temperature control cabinet | 0902 42541/2/3<br>Telex 336414 |
| DRAWBENCH by Platt, max. capacity 15 ton pull x 40 ft draw | 0902 42541/2/3<br>Telex 336414 |
| 1972 ROTARY SWAGING MACHINE by Marshall Richards, available with 30 die sets, max. capacity 24 mm bar, 57 mm tube | 0902 42541/2/3<br>Telex 336414 |
| 9 DIE WIRE DRAWING MACHINE, cone type 40 hp x 250 ft/min 14in diameter finishing block, 18% area reduction per die | 0902 42541/2/3<br>Telex 336414 |
| 4,000 TON HYDRAULIC PRESS. Upstroke | 01-928 3131 |
| UPSET FORGING MACHINE 4in dia 750 ton | 01-928 3131 |
| WICKMAN 1⅝ 6SP AUTOMATIC. Reconditioned | 01-928 3131 |
| WICKMAN 2¼in 6SP AUTOMATIC. Reconditioned | 01-928 3131 |
| WICKMAN 2⅝in 6SP AUTOMATIC. Reconditioned | 01-928 3131 |
| CINCINNATI CENTRELESS GRINDER. Excellent | 01-928 3131 |
| LINDNER JIG BORER, very accurate | 01-928 3131 |
| 1500 TON CLEARING D A PRESS Bed 180" x 96" | 01-928 3131 |
| 200 TON VICKERS CLEARING PRESS Bed 36in x 40in Air Clutch & Brakes as new | 01-928 3131 |
| 200 TON SCHULER HIGH SPEED PRESS 200 spm | 01-928 3131 |
| LUMSDEN GRINDER 36" dia. magnetic chuck | 01-928 3131 |
| LUMSDEN GRINDER 84" x 24" magnetic chuck | 01-928 3131 |
| HEID COPY LATHE 36" dia x 50". Reconditioned | 01-928 3131 |
| FISCHER COPY LATHE TYPE 18/150 | 01-928 3131 |
| WIEDMAN TURRET PRESS TYPE BRA/41 as new | 01-928 3131 |
| BRYANT INTERNAL GRINDER 60" dia. Excellent | 01-928 3131 |
| ROTOFINISH BARRELLING UNIT 36 cu.ft. rub. lined | 01-928 3131 |
| CAZENEUVE LATHE Model 725 25" dia x 39". Excel. | 01-928 3131 |
| NATIONAL COLD HEADERS ¼" & ⅜" dia. recon. | 01-928 3131 |
| 200 TON DEEP DRAWING PRESS | 01-928 3131 |
| DEEMOOR HEAVY DUTY LATHE 38 dia x 10 ft | 01-928 3131 |
| CINCINNATI No. 3 HORIZONTAL MILL | 01-928 3131 |
| V.D.F. CENTRE LATHE, 26" dia. x 14 ft | 01-928 3131 |
| BARBER & COLMAN 16-16 HOBBER, as new | 01-928 3131 |
| DRUMMOND COPY LATHE 8' 6" B/C. Recond. | 01-928 3131 |

## BUSINESS AND MANAGEMENT COURSES

### A 12 month MBA from Cranfield

**Applications are now invited for Cranfield's 1979-80 MBA programme.**

We want ambitious people with a good first degree plus three or more years' business experience. Most students are between 27 and 30 years of age.

Our MBA Programme is one of Europe's major post graduate, post experience courses, covering intensively the same ground as the 18 months or two-year programmes of other business schools. Although the demands of the students are great and our entrance standards high, past students have found that their hard work has been repaid by the keen interest of business organisations throughout the world.

*Further details and application form from Mr. Alan Hector quoting ref. CS 224.*

Cranfield School of Management
Cranfield · Bedford MK43 0AL · England
Telephone Bedford (0234) 751122
Telex 825072

### FOR SALE

Substantial interest with or without management participation in fast growing Midlands based fastener distributors. Turnover £½ million, with above average profits

Principals only

*Please reply to Box G3761 Financial Times 10 Cannon Street, EC4P 4BY*

### BRUSH MANAFACTURERS

Old-established private on Merseyside manufacturing all types of brushes, t/o £325,000+, long-leasehold premises, for sale as going concern.

Write Box G.3793, Financial Times, 10 Cannon St., EC4P 4BY.

### CARAVAN SALES BUSINESS

Established over 20 years

Two Freehold sites, each over 1 acre, 25 mile perimeter Central London, many franchises held. Excellent profit record. Workshops, equipment. Other freehold assets. *Stock of caravans alone exceeds* £250,000. Directors wishing to retire. FOR SALE AS A WHOLE

*Write Box G3794, Financial Times 10 Cannon Street, EC4P 4BY*

### FOR SALE — 25-YEAR-OLD ESTABLISHED BUSINESS

Providing specialist product to the Construction Industry. UK and Export Sales average £250,000 per annum. *Full Details:*
T. SAXTON & CO.
Chartered Surveyors
53 Queen Street, Sheffield S1 1UG
Tel: (0742) 77636

### ESTABLISHED GOLF CLUB

The equity of an established Golf Club, on approx. 130 acres, together with excellent facilities for functions and conferences, is available for part/whole sale. Ample space available for further development. Location Midlands. Principals only.

*Write Box G3551, Financial Times 10 Cannon Street, EC4P 4BY*

### BOLTON HEAVY ENGINEERING COMPANY
TAX LOSS £100,000

Good profits, prime motorway site and modern buildings. Directors retiring

*Write Box G3795, Financial Times 10 Cannon Street, EC4P 4BY*

### U.S.A.

Due to Company restructuring, manufacturing group wish to sell their profitable electrical/electronics cable division in New Jersey. Sales in '78 topped $4.5 million. Offers in excess of £1.2 million expected.

*Genuine enquiries to: Ian W. Hannah Consultant to the Company Box G3796, Financial Times 10 Cannon Street, EC4P 4BY*

### NEWS LETTER FOR SALE

with blue chip subscriber list and in a growing area of executive interest

Principals only please

*Write Box G3797, Financial Times 10 Cannon Street, EC4P 4BY*

### MEDICAL COMPANY

IN HEALTH CARE FIELD
MODERN FACTORY/WAREHOUSE PREMISES IN UK

High exports, good growth potential. Current turnover approaching £2m. Management continuity

Principals only

*Write Box G3799, Financial Times 10 Cannon Street, EC4P 4BY*

### 100 CAR LEASES FOR SALE

(North West England)

All averaging eight months old Ford Cortinas, Escorts, Granadas, Rolls, Mercedes, etc. Enquiries from Principals only. Involves about £450,000. References please.

*Write Box G3798, Financial Times 10 Cannon Street, EC4P 4BY*

### SUCCESSFUL PRODUCT LINE FOR SALE

A valuable opportunity arises to acquire manufacturing and marketing rights for a unique, fully developed, successful product line in the powered access platform field.

Particularly suitable for light engineering company. Present manufacturers selling due to heavy demands of other products.

Box G.3800, Financial Times, 10, Cannon Street, EC4P 4BY

### WEST COUNTRY

Small Company with good machine/tools franchise dealing in machine tools, small tools and plant. Specialists in cold and friction saws, expanding business. Present turnover approximately £225,000 per annum and rising. Pre-tax profit £40/£50,000 per annum. Price £150,000. Write Box G.3801, *Financial Times, 10, Cannon Street, EC4P 4BY.*

**SHARE DEALING CO.,** dormant, available for sale. Write Box G.3802, Financial Times, 10, Cannon Street, EC4P 4BY.

## BUSINESSES WANTED

### od Operational Development Ltd.

Crossways, Silwood Road, Ascot, Berkshire SL5 0PY
Ascot (0990) 25056/7
Cables: OPDEV ASCOT Telex: 847118 (OPDEV G)

WANTED BY MAJOR INTERNATIONAL COMPANY

Company with good workforce in attractive premises able to absorb £1m of additional turnover involving light electro-mechanical precision engineering and assembly. Essential needs are the space and the people. Minimum 30,000 sq. ft. incl. 12,000 sq. ft. offices and R & D Labs. Must be within 1½ hours Heathrow.

### PACKAGING

Nationally known printing organisation with brilliant record of development and labour relations wishes to purchase packaging company (preferably specialising in folding boxes). Preferred location in S.E. London or Home Counties.

*Write Box G3765 Financial Times 10 Cannon Street, EC4P 4BY*

### WANTED TO BUY

Polythene Film extrusion and/or bag making factory
Small to medium size
London area
Phone: 289 3654

### NATIONAL STORAGE DISTRIBUTION COMPANY

(privately owned) seeks to expand by the acquisition of other companies in the same industry.

*Full details please, in confidence, to Box G3803, Financial Times 10 Cannon Street, EC4P 4BY*

### TRAVEL, EXHIBITION, OR CONFERENCE COMPANY

We wish to acquire successful companies in the above industries. Either part or all the equity to be purchased and existing management retained. *Enquiries to:*

*Box G3775, Financial Times 10 Cannon Street, EC4P 4BY*

## COMPANY NOTICES

### COMPAGNIE FINANCIERE DE PARIS ET DES PAYS-BAS

### NOTICE TO SHAREHOLDERS

Following a Resolution passed at the Ordinary General Meeting held on 3rd May 1979, a dividend of F.Frs. 13.30 per share of F.Frs. 100 nominal for the year ended 31st December, 1978 will be paid as from 10th May, 1979 as follows:—

**Bearer Share Certificates**

Against presentation of Coupon No. 170, residents of the United Kingdom will receive F.Frs. 10.68 per Certificate of F.Frs. 100 nominal. (See Settlement of Additional Payments below).

Coupons will be paid at the rate of exchange ruling on the day of presentation.

**Bearer Deposit Certificates**

Against presentation of these Certificates for marking of Square No. 7 residents of the United Kingdom will receive F.Frs. 0.534 per Certificate of F.Frs. 5 nominal.

(See Settlement of Additional Payments below)

Certificates will be paid at the rate of exchange ruling on the day of receipt of the dividend on the corresponding underlying shares deposited in France.

**Settlement of Additional Payments**

Under the terms of the Double Tax Convention between France and the United Kingdom, residents of the United Kingdom will receive, subject to completion of Form RF-4GB, on or after 16th January, 1980 an additional F.Frs. 6.2775 per Bearer Share or F.Frs. 0.313875 per Bearer Deposit Certificate thus increasing their dividend entitlements to F.Frs. 16.9575 per Share or F.Frs. 0.847875 per Bearer Deposit Certificate

Holders are advised to submit Form RF-4GB at the time of presentation of Coupons and/or Bearer Deposit Certificates. The Form may, however, be submitted at any time up to 31st December, 1980.

Payments in respect of Coupons and Bearer Deposit Certificates will be subject to deduction of United Kingdom Income Tax at the standard rate of 33% unless claims are accompanied by an affidavit.

Coupons and Bearer Deposit Certificates should be lodged with:—

S. G. WARBURG & CO. LTD.,
Coupon Department,
St. Albans House, Goldsmith Street,
London, EC2P 2DL.

from whom appropriate claim forms and further information can be obtained.

Copies of the Annual Report and Accounts will shortly be available in French and in English on application to S. G. Warburg & Co. Ltd

8th May, 1979. Compagnie Financiere de Paris et des Pays-Bas.

**WATNEY MANN INTERNATIONAL FINANCE N.V.**
**7% EUA 12,000,000—1969-1984**

Holders of the above mentioned bonds are hereby informed that the 10th annual instalment of EUA 1,000,000 due 13th June 1979 has been effected partially by purchase in the market of 787 bonds of a nominal EUA 1,000 each and partially by drawing by lot of the remaining 213 bonds of a nominal EUA 1,000 each. [illegible]

BANQUE INTERNATIONALE A LUXEMBOURG Société Anonyme
Luxembourg, 2nd May, 1979.

**COMMERZBANK AKTIENGESELLSCHAFT**
**PAYMENT OF DIVIDEND**

NOTICE IS HEREBY GIVEN to shareholders that following a resolution passed at the Annual General Meeting of shareholders held on 4th May, 1979, a Dividend for the year ended 31st December, 1978 will be paid, as from 7th May, 1979, of DM.8.50 per share of DM.50 nominal held, against presentation of Coupon No. [illegible]

COMMERZBANK AKTIENGESELLSCHAFT
8th May, 1979.

**TENDERS FOR GREATER LONDON BILLS**

[illegible]

**BANK LEUMI LE-ISRAEL B.M. LEUMI INTERNATIONAL INVESTMENTS N.V.**

[illegible]

**BLUE CIRCLE INDUSTRIES LIMITED**

[illegible]

By Order of the Board.
H. W. R. HAM, Secretary.
Portland House,
Stag Place,
London SW1E 5BJ.
4th May, 1979.

In accordance with Conditions 18-19 of the Conditions of Issue endorsed on the Company's Stock Warrants a holder may attend and vote at the Meeting or may appoint a proxy to attend and on a poll vote instead of him. The proxy need not be a Member of the Company.

**NOTICE OF PURCHASE**
**EUROPEAN INVESTMENT BANK**
**7.25% Yen Bonds of 1977.**
**Due May 1, 1984**

NOTICE IS HEREBY GIVEN to bondholders that during the twelve-month period commencing May 1, 1978, and ending April 30, 1979, none of the European Investment Bank's 7.25% Yen Bonds of 1977, Due May 1, 1984, were purchased by Daiwa Europe N.V., Amsterdam for account of such Bank. As of May 1, 1979 the principal amount of such Bonds remaining in circulation was Yen 10,000,000,000.

EUROPEAN INVESTMENT BANK
May 8, 1979.

## LEGAL NOTICE

IN THE MATTER OF THE COMPANIES ACT 1948 AND IN THE MATTER OF B. S. METAL PRODUCTS LIMITED (In Voluntary Liquidation)

NOTICE IS HEREBY GIVEN pursuant to Section 299 of the Companies Act 1948 that a GENERAL MEETING of the MEMBERS of the above named Company will be held at the offices of FLOYD NASH & CO., Chartered Accountants of 33 Clifford's Inn, Fetter Lane, EC4 in the City of London on Friday the 15th day of June 1979 at 11.00 a.m. to be followed at 11.15 a.m. by a GENERAL MEETING of the CREDITORS for the purpose of receiving an account of the Liquidator's Acts and Dealings and of the conduct of the Winding Up to date.

Dated this 3rd day of May 1979.
R. E. FLOYD, Liquidator.

## APPEALS

**Not all today's war veterans are old soldiers**

Many of the young servicemen killed in Northern Ireland leave widows and orphans behind. Those that are disabled may never be able to work again. The annual Poppy Appeal alone cannot pay for their food, fuel and homes. Please send donations to: The Royal British Legion Appeals Department, Maidstone, Kent ME20 7NX.

## PUBLIC NOTICES

WARWICKSHIRE C.C.
Placed 2 May, 1979, £3 Bills due 1 August at 11.21-64%. Applications £3m. Total outstanding £6m.

## EXHIBITIONS

# Asprey of Bond Street invite you to view two unique Exhibitions

## An Exhibition of Marine Chronometers

A collection of rare chronometers from 1790-1850 comprising 33 exhibits, including the chronometer from HMS Beagle, each of which is registered at Greenwich Observatory. 15 chronometers from a later period, 1870-1914, are also on show.

## An Exhibition of Nymphenburg Porcelain

The first ever British Exhibition of some of the most beautiful and treasured porcelain in the world. Produced in a pavilion of the Summer Palace of Bavarian Kings, every piece is modelled and painted by hand as it was originally in the 18th century.

On view from 2.30 pm Wednesday 9th May until Wednesday 23rd May. Times of opening 9.00-5.30 Monday-Friday, 9.00-1.00 Saturday.

Asprey

165-169 New Bond Street, London W1Y 0AR. Telephone 01-493 6767

# WADHAM STRINGER

# ROLLS-ROYCE

**Official Distributors for Rolls-Royce and Bentley.**

### H. A. FOX
34 Dover Street, London. Tel. 01-493 [illegible]

1978 June Rolls-Royce Silver Shadow II Saloon. Caribbean Blue, Magnolia leather. Speedometer reading 6,250 miles.

1977 Nov. Rolls-Royce Silver Shadow II Saloon. Pewter, Green leather. Speedometer reading 7,700 miles.

1976 Aug. Rolls-Royce Silver Shadow Saloon. Regency Bronze, Dark Brown leather. Speedometer reading 24,000 miles. £26,500

1976 May Rolls-Royce Silver Shadow Saloon. Silver Mink, Dark Blue leather. Speedometer reading 15,000 miles. £27,500

1976 Feb. Rolls-Royce Silver Shadow Saloon. Pewter, Green leather. Speedometer reading 39,500 miles. £25,000

1976 Jan. Rolls-Royce Silver Shadow Saloon. Walnut, Beige leather, Speedometer reading 41,000 miles. £25,000

1974 Apr. Rolls-Royce Silver Shadow Saloon. Regency Bronze, Red leather. Speedometer reading 45,000 miles. £21,950

1973 May Rolls-Royce Silver Shadow Saloon. Black over Walnut, Black leather, electric sliding sunroof. Speedometer reading 38,600 miles. £18,950

1973 May Rolls-Royce Silver Shadow Saloon. Caribbean Blue, Dark Blue Everflex roof, Magnolia leather. Speedometer reading 56,700 miles. £17,950

1973 May Rolls-Royce Silver Shadow Saloon. Walnut, Beige Everflex roof, Beige leather. Speedometer reading 59,000 miles. £17,950

1971 Oct. Rolls-Royce Silver Shadow Saloon. Deep Indigo Blue. Black Everflex roof, Dark Blue leather. Speedometer reading 65,500 miles. £14,950

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1977 Aug. Rolls-Royce Silver Shadow II finished in Peacock Blue with Beige hide and Dark Blue Everflex roof. 9,400 miles.

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# Group mining developments the key to future growth

*Review by Mr. J. P. Du Cane, Chairman, Selection Trust Limited*

As this is my first statement as Chairman of the Company, I believe that I should, in addition to commenting on current results and the outlook for the future, give a short review of our policies and the progress we have made towards securing our objectives.

Some 15 years ago a change in emphasis occurred which was to lead to the transformation of the Selection Trust Group. At that time the Company's interests were mainly represented by minority shareholdings and, as a result, we were dependent for most of our income on the dividend policies of other companies. The decision was made to return to our original role of owning and operating mines in the firm belief that by adopting this policy the Company could achieve the growth to which it aspired.

The implementation of this policy required a commitment to a greatly increased effort in mineral exploration, both in terms of expenditure and skilled human resources. At the same time as carrying out basic exploration, opportunities were sought to participate directly in mineral ventures at a more advanced stage. A successful example of such an operation was our participation as a joint venturer in the Mount Newman iron ore project, which now has a capacity for the production of 40 million tons of high grade iron ore annually.

It was appreciated that it would take a considerable amount of money and time before we could expect to start finding mines and we also realised that to be successful we would have to sustain our effort through the good and bad cycles of the metal business. We were greatly assisted in this effort by being able to share expenditure through a joint exploration company with Consolidated African Selection Trust, which operated diamond mines in West Africa.

It also became apparent that it was necessary to acquire sources of income accruing within the United Kingdom; we were in the unfavourable position of having income largely in the form of dividends which had been heavily taxed overseas, and this did not provide the opportunity for us, as a United Kingdom company, to obtain effective tax relief for our growing expenditures. As it was very difficult to find operations here within the mining field, we had to break with our tradition and accept that a measure of diversification was necessary. We recognised that we would be going into types of business in which we had little or no expertise and made it a matter of policy only to acquire companies or ventures with proven skilled management. I give testimony to the effectiveness of this latter feature in a later section of this review in which I refer to the earnings of the companies which we have acquired.

I stress that these acquisitions have been essential to our main policy of ensuring adequate financial strength for the development of mines and are in no sense a digression into an unrelated pursuit for its own sake.

In the case of our overseas activities, deficits are almost inevitable in the very early stages of new mining operations and, when added to related interest costs and exploration expenditure, they have a distorting effect on our net profit figure if there is no local source of income against which to match them for tax purposes. Here again our requirement is for revenue to tide us over the period ahead of earnings from mining operations.

With this in mind, our Australian subsidiary, Western Selcast, has purchased a drill-ship, the 'Regional Endeavour', which is currently operating on the north-west shelf off Western Australia.

In the United States, we have made a modest start towards the generation of immediate income by the acquisition of small oil and gas producing properties in Texas and New Mexico, the interest in which is held through our subsidiary, Amselco Natural Resources. We expect the income from these sources to assist in meeting exploration costs in the United States in due course. Generally, we regard the United States as a most promising area of growth for our Group and will shortly be establishing a corporate headquarters in Denver, Colorado, to step up the pace of our search for new business.

Turning to our progress in achieving our objective of finding mines and participating directly in mining ventures, it was not until 1968 that we made our first significant find, which was the copper-zinc-silver deposit in Ontario which was subsequently brought into production as the South Bay mine. By this time we had built up our expertise and local knowledge of the environment in Australia and North America and, as a result, we have made five more discoveries, by far the most important of which is the large sulphide-nickel orebody at Agnew in Western Australia.

Exploration expertise has also enabled us to assess rapidly opportunities for investment in promising mineral discoveries made by other companies. An outstanding example of this was our very profitable investment in Western Mining, which originated from the skills of our geologists in recognising from early published borehole results the potential for a major high grade nickel deposit.

A venture of rather a different kind was the development of a gold mine on the claims held in South Africa with our partners, Union Corporation, on the farm Jurgens Hof since 1938. The decision to carry out further deep drilling and subsequently bring a mine into production resulted from a reappraisal by the partners of the potential following the increase in the gold price in 1972.

As a result of persevering with our policies, we have built up substantial earnings in the United Kingdom and Europe which have given us financial strength to weather the longest recession in the base metal industries since the 1930's, at the same time as enabling us to continue our drive to find more mines. We have also found and acquired valuable mining assets which have set us well on our way to achieving our objective of becoming a major mining group.

## Mining Projects

Good progress has been made at Agnew towards the build-up to the initial production target of 10,000 tonnes of nickel in matte. Stoping has begun and first shipments of matte have been made to Amax Louisiana refinery. Planning for the No. 2 mine (the deeper orebodies) is now being based on raising the production level to approximately 15,000 tonnes of metal per annum. The Agnew orebodies have a potential for production well beyond these figures but the timing of further expansion will depend on the performance of the nickel price compared with capital and operating costs.

In the light of the increase in metal prices we are, together with our co-venturers Mount Isa Mines, re-examining the economics of bringing into production the modest sized but high grade copper-zinc-silver deposit at Teutonic Bore in Western Australia. This orebody, which is 60% owned by Western Selcast and 40% by Mount Isa, would be mined by open pit method in the initial stages.

As a result of our studies on the Detour copper-zinc project in Quebec, we have concluded that the best way to develop this group of mineralised zones is to start by bringing into production the copper orebody contained in the B zone. The recent change in the outlook for copper has given us added encouragement to pursue this course of action. As previously announced, we have secured an option to acquire the 50% share owned by Pickands Mather and we are now entering into negotiations with other possible partners. Meanwhile, preparatory work ahead of a final production decision is under way to ensure that the various necessary steps are taken to minimise delays to the development programme which might otherwise be caused by climatic conditions.

The Unisel Gold Mine in South Africa has now reached the trial stoping stage and should be in full production in November this year. The present strength of the gold price makes this an extremely attractive operation and we can look forward to an early contribution to dividend income from this source.

In Nevada, our exploration teams have discovered a small finely disseminated gold deposit, and work has been started to ascertain the economic significance of this mineralisation which is lying near the surface. The project is owned on a 50/50 joint venture basis with Occidental Minerals.

## 1978 Results

Our results for the past year show that out of a gross income of £34.6 million, £20.6 million (60%) came from operating profits, £10.6 million from dividends and interest received, and £3.4 million from realisation profits.

Our United Kingdom companies contributed some £10.4 million in operating profit, and once more I am pleased to be able to congratulate the Shand group for yet another increase in profits to £5.3 million. Amari also produced excellent results in spite of difficult trading conditions, contributing £2.6 million. We also had the benefit of a complete year of profits from the Kleeman group for the first time. Our oil and gas, and related operations, produced a profit of £7.2 million, of which £4.5 million came from the renegotiated arrangement with the Heerema organisation and £2.7 million from the K/13 gas field.

The recession in the base metal industries continued during most of 1978 and, although signs of shortages of copper began to appear in the third quarter, it was not until almost the end of the year that prices started to strengthen. In spite of a rise in zinc prices, the market for concentrates remained poor. However, the weakness of the Canadian dollar had the effect of magnifying the increase in prices in Canadian terms and this, together with continuing successful control of unit costs, enabled the South Bay copper-zinc-silver mine in Ontario to end the year with a substantially improved result. Nickel remained depressed throughout the year, and the decision was taken to stockpile most of the production of Spargoville in Western Australia in the expectation of benefiting from higher nickel prices in the latter part of the current year. The Mount Newman iron ore operation enjoyed a better year with less industrial stoppages and gave us an increase in profit to £3.6 million.

| | Results for year to 31 Dec 1978 | Results for 9 months to 31 Dec 1977 |
|---|---|---|
| Revenue | £34.6m | £26.6m |
| Expenditure | £14.8m | £10.5m |
| Profit before tax | £19.8m | £16.1m |
| Net profit after tax | £11.4m | £9.6m |
| Earnings per share | 35.8p | 32.8p |
| Total assets | £287m | £235m |

The improvement in dividend income to £5.1 million resulted from increased distributions by the National Diamond Mining Company of Sierra Leone, and the return of Tsumeb as a dividend payer.

I feel we can view our after-tax profits of £11.4 million with some satisfaction and this result, coming as it does in a period of considerable economic difficulty, reflects great credit on the efforts of all our staff, both here in the United Kingdom and overseas.

## Outlook for 1979 and beyond

Our transition from an investment holding company to an active mining group has coincided with a period of unprecedented inflation in capital costs and this has meant that we have had to borrow large sums to finance mining development. In recent years the improving level of our revenues has enabled us to maintain adequate cover for the growing interest charges and to maintain an annual increase in dividends.

Our borrowings should also be considered in relation to the quality of our assets which are in our balance sheet at historical cost only. Outstanding amongst our quoted investments is our holding in Amax, which company is now beginning to reap, at a rapidly accelerating rate, the rewards of its massive capital investments. The company is heading for another record year, as can be seen by the excellent results for the first quarter. The Board of Amax expressed its confidence in the future of the company by declaring an increased dividend of 67.5 cents per quarter, thereby establishing an annual rate of $2.70 compared with $1.75 a year ago. I have no hesitation in saying that Amax is North America's greatest mining company, with by far the best spread and quality of assets, and our investment in that company is going to contribute importantly to the growth in value both of our assets and of our earnings.

As far as the current year is concerned, our United Kingdom companies have suffered from some disruption in the first months of the year due to the transport dispute, followed by severe weather conditions, but we expect at least to maintain the level of 1978 earnings overall in this sector. The rise in the price of oil should be reflected in increased revenue from our K/13 gas operation in Holland. If the present metal prices for copper and zinc are maintained, results from our South Bay mine will be substantially better. I have already mentioned that metal from the Spargoville nickel mine is being stockpiled and the rising price of nickel should ensure considerably improved results.

The return on our total assets is still somewhat low because they include a large element representing new developments which have not yet reached the operating stage, and certain of our share investments, which have been vital as backing for our borrowings, have given us so far only modest dividend income.

We look forward to increased revenue from both sources, but it would be realistic to recognise that we may not reach a significantly higher level of earnings until more of our mining operations are in full production. However, our earnings are sensitive to improvement if the relationship between metal prices and operating costs takes a turn for the better sooner than we have assumed, particularly in view of the shielding effect provided against taxation by the considerable weight of capital allowances available to us in respect of developing projects.

The recent rise in prices of copper and other metals is already being described as a boom, when in fact in real terms they are still well below 1974 prices. They are certainly some way below those required to ensure a reasonable return on a large new mining project. Talk of "record prices" is most misleading in view of the enormous rise in the costs of mining equipment and plant.

As we have said many times before, if the world wants metals then the prices must be commensurate with the costs involved in bringing in incremental production, and I can only repeat that they will have to be a good deal higher than those we are seeing today. It should also be recognised that shortages have occurred during a period when world economies as a whole have shown but sluggish growth, and investment in capital plant and equipment has been only very modest. It follows that with the lack of new capacity available, were the long awaited upturn in investment in capital goods to take place in the 1980's, serious shortages of several metals would occur.

In the case of copper, the industry appears to have been taken by surprise at the speed of the change in outlook. Good demand, allied to a fundamental change in the supply position caused by problems in Central Africa and delay in production start-up at major mines in Iran and Mexico, has caused a rapid reduction in stocks and shortages to develop, particularly amongst higher quality items. In spite of the re-opening of some spare capacity closed down during the recession, the problems of supply are likely to continue for some time to come. The movement of prices will be very sensitive to world demand and, more especially, to any further anxieties over interruptions in production.

The improvement in the outlook for nickel has occured more rapidly than most experts were predicting and I believe that we, and our partners MIM, can be seen to have made the right decision to go ahead with Agnew, although the outlook for its product has appeared to be so gloomy during the last few years. It looks as if our original assumptions that the mine would be capable of making an operating profit from its early stages should be borne out by events. It is harder to judge how long it will be before the operation will generate sufficient profits to meet the full cost of finance devoted to the project, as this will depend on the relationship between the nickel price and operating costs once the planned level of production from the No. 1 mine has been reached.

## Government and the Mining Industry

I would like to make a general observation about the future of the mining industry. There are no shortages of base metals in the ground, but huge sums of money are required to find, mine, smelt and refine them. Many mining companies, due to the prolonged depression in the base metal industries, have suffered so much financially that exploration and development plans have had to be curtailed. When metal prices eventually catch up with inflation, companies possessing sizeable production capacity will appear to be making handsome profits and it will be tempting for governments to impose extra taxes on what will be described as windfall profits. The damage done to the extractive industries by unwise fiscal policies is obvious today but, unfortunately, memories are short and there is the risk that when the atmosphere changes for the better the same mistakes will be repeated.

It is my earnest hope that governments will learn from the lessons of the past four years and allow mining companies to rebuild their financial strength, so vitally required to enable investment in new mining ventures to be made. The great mining companies of the world possess skills, judgement and knowledge of their business, built up over very many years. It would be very damaging to the future supply of metals for these companies to cease to exist as independent corporations through the inability to raise the necessary financial resources to pursue their traditional role of bringing new mines into production to replace depleting reserves.

## Conclusion

I would like to conclude this review by saying what a great pleasure it was for me, and the many other people present, to see Mr. Beatty participate alongside Sir James Foots, the Chairman of MIM, in the Agnew opening ceremony, which was graciously performed for us by the Premier of Western Australia, Sir Charles Court. It was a most appropriate consummation of the policy of your former Chairman, who has for so many years confirmed his faith in exploration for new deposits of minerals as a prime objective for this Company.

SELECTION TRUST

The Annual General Meeting will be held on 31 May 1979. Copies of the annual report and accounts may be obtained from The Secretary, Selection Trust Limited, Selection Trust Building, Masons Avenue, London EC2V 5BU.

# INSURANCE

## Income tax cover for expatriates

BY OUR INSURANCE CORRESPONDENT

FOR THE MOST PART insurance is bought against the uncertainties of life, whether personal or commercial. Certainties by and large are not insurable, for insurers deal in percentages of risk, preferably low percentages: where the percentages get too high not only do insurers back off but potential policyholders prefer to run their risks rather than pay what would be prohibitive premiums.

One of the inevitable certainties of life is that we all have to pay taxes, the most visible, direct on our income. And so at first sight there would seem to be little chance of any of us insuring our income tax liability other than for 100 per cent of risk premium. Therefore I was a little surprised the other day to read that liability for UK income tax can be insured—until I examined the proposition a little more and got it placed firmly in the pigeonhole marked "insurance for expatriates."

When one goes abroad to work, whether as a self-employed citizen or as an employee, it is advisable to buy insurance or to get one's employers to arrange insurance to cover those extra risks that one incurs just from being abroad: for example, depending on location and distance it will probably be necessary to have insurance to cover one's emergency return home temporarily for family reasons.

Temporary repatriation expenses have long been available as part of individual or group cover for Britons working abroad and can normally be related to accident and illness whether sustained by the expatriate, or his family with him, or even relatives left at home.

Income Tax insurance is just another aspect of the repatriation risk: the Briton working abroad, by reason of the UK laws and international tax agreements, can expect to enjoy immunity from UK tax when he is away on a long term overseas assignment. But cut short that assignment, forces his return to UK for whatever reason and the Inland Revenue will quickly put the bite on for the relevant tax year.

Accident and illness are the most likely causes of premature return, but, it may also happen that the Government of the country where the Briton is working expels him, or the British authorities may recommend all British nationals to return home for their own safety.

Lloyd's underwriters are prepared to provide cover against tax liability resulting from premature and permanent return to the UK for all or any of these reasons—and what Lloyd's are prepared to do this week, other insurers providing group cover for expatriates may well do next week. At present Lloyd's cover is available only for the UK national who is employed full time under a contract of employment, residing and working abroad for a period including a complete UK tax year. Cover for self-employed expatriates is at present not available, presumably on the grounds that it is far easier for the self-employed citizen voluntarily to up anchor and come home when he wishes.

There are of course a number of exclusions mainly of the kind found in accident and sickness policies and the limit of insurers' payment is set at 85 per cent of the policyholder's net tax liability. Premium is charged at a rate per cent on the sum insured and the normal range of premium is between 1¼ per cent and 5 per cent depending on all the policyholder's individual circumstances.

## Law Commission working paper 73

LAST WEEK I wrote on the BIA's disquiet at the contents of this working paper on non-disclosure and breach of warranty. Unfortunately, two substantial paragraphs were moved out of their correct sequence: in consequence, not only did the summary of BIA views appear disjointed—what was worse was that I appeared to be giving some support to the Law Commission which, on this particular topic, I would not wish to.

I commented that the BIA had in effect asked the Law Commission to go back to square one. The printers then had me saying: "Clearly this latter course is unthinkable."

In fact I had made this comment together with the subsequent paragraphs on the very real possibility that British insurers now face a double change in the law—just to pick up some or all of the working paper's recommendations, second to meet, after a lapse of a couple of years or so, the provisions of the EEC directive.

I regret having been misprinted on what I regard as a most important issue, not just for British insurers but all the insuring public—I hope next time I write on this subject to expose some of the flaws in the working paper's recommendations.

# WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

### Yesterday

BOARD MEETING—
Finals:
British Northrop

DIVIDEND & INTEREST PAYMENTS—
BBA Db. 5pc
BLMC Ln. 3½pc
Burroughs 50cts
Cowie (T.) Ln. 5pc
Elder Smith Goldsbrough Mort. 5cts
Ewer (George) 1.5p
Fodens Db. 4½pc

### Today

COMPANY MEETINGS—
American Trust, 4 Melville Crescent, Edinburgh, 12.15
Bank of Scotland, The Mound, Edinburgh, 12.15
Bestwood, Empire Hse., St. Martins-le-Grand, EC, 12.00
Birmingham & District Invst. Trust, Stratton House, Piccadilly, W, 3.30
British Aluminium, Portman Hotel, Portman Square, W, 12.00
Trade Indemnity, 12-34 Gt. Eastern St., EC, 12.00
Vosser, 32 Curzon St., 12.00

BOARD MEETINGS—
Finals:
Averys
Barr and Wallace Arnold Trust
Booth (International Holdings)
Brixton Estate
Energy Services & Electronics
European Ferries
Heal & Son
International Thomson Org.
Lesney Products
London Intercontinental Trust
Marks & Spencer
More O'Ferrall
Mothercare
Philips' Lamps
Prince of Wales Hotels
Sherman (Samuel)
Interims:
Costain
Hawkins & Tipson
Hepworth (J.)
Moss Engineering

DIVIDEND & INTEREST PAYMENTS—
Alliance Trust 5.5p
Alliance Trust 4pcPf. 1.4pc
Alliance Trust 4½pcPf. 1.4875pc
Alliance 5pcPf. 1.75pc
Bestwood 0.9955p
Clarke (T.) 0.5271p
Downs Surgical 0.8p
EMI Ln. 2½ 3½ 3⅞ 4¼pc
HTV Group N-V Ord. 3.5p
Harmony Gold Mining 30.20545p
Invst. Trust of Guernsey 5.25p
Northumberland 7pcRd. 1978-80 3½pc
Nottingham Gas Anns. (£3.25) £1.625
Tioxide Ln. 5¼pc
Trade Indemnity 5.91561p
Waring & Gillow 1.086774p
Wilmot Breedon Db. 3½pc

### Tomorrow

COMPANY MEETINGS—
Biddle, The Cafe Royal, Regent St., W, 12.00
Bowring (C. T.), Vinculor House, Tower Place, EC, 12.15
British Mohair Spinners, Victoria Hotel, Bridge St., Bradford, 12.00
Cartwright (R.), Birmingham Chamber of Commerce, Birmingham, 12.00
Downiebrae, Merchants Hall, 7 West George St., Glasgow, 12.00
English & Scottish Investors, 2 St. Mary Axe, EC, 2.30
Gibbs & Dandy, Chamber of Commerce Rooms, George St. West, Luton, 11.30
Gough Bros., 39-45 Tottenham Court Rd., W, 12.00
Jones & Shipman (A. A.), Narborough Rd. South, Leicester, 2.15
Law Land, Howard Hotel, Temple Place, 12.15
Schroders, 120 Cheapside, EC, 12.15

BOARD MEETINGS—
Finals:
Barrow Hepburn
Bunzl Pulp & Paper
Deritend Stamping
External Investment Trust
Fisons Agricultural Industries
Hall (Matthew)
Henderson (P. C.)
L.K. Industrial Invs.
Laing Properties
London & Northern
Mallinson-Denny
Sainsbury (J.)
Sears
Transatlantic & General Investments
United Engineering Industries
Interims:
Akroyd & Smithers
London and Provincial Shop Centres
Westward Television

DIVIDEND & INTEREST PAYMENTS—
Corp. of London 9¼pc Bds. Rd. (9/5/79) £4.7771
Eleco 0.9p
Federated Land & Building 1.93p
High Gosforth Park 12p
Invergordon Distillers 1.14p
Jones (A. A.) & Shipman 4.55p
Montagu Boston Invst. Trust 0.875p
Rolls-Royce Motors 2.99477p
Royal Bank of Scotland Floating Rate Cap. Notes 1983 U.S.$60.9618
Southwark 6¾pcRd. 1983-86 3⅜pc

### Thursday May 10

COMPANY MEETINGS—
Appleyard, Automobile Centre, Roseville Rd., Leeds, 12.00
Beatson, Clark, Hallam Tower Hotel, Sheffield, 12.30
Bisby (J.), Adelphi Hotel, Liverpool, 3.00
British Petroleum, Britannic House, Moor Lane, EC, 12.00
Bronx Eng., 75 Harbourne Rd., Birmingham, 12.00
Corah, Burleys Way, Leicester, 12.00
New London Props., The Dorchester, Park Suite, Park Lane, W, 12.30
Pittards, Manor Hotel, Yeovil, Somerset, 12.00
Royal Insurance, Company Conference Theatre, New Hall Place, Old Hall St., Liverpool, 12.00
Royal Worcester, Browns Hotel, Dover St., W, 12.00
Ruberoid, The Dorchester, Park Lane, W, 12.15
Savoy Hotel, River Room, Savoy Hotel, 12.00
Sykes (H.), Sykes House, 445 Woolwich Rd., Charlton, SE, 12.00
Waverley Cameron, Blair St., Edinburgh, 12.00

BOARD MEETINGS—
Finals:
Atlas Electric & General Trust
Berkeley Hambro
Cartiers Superfoods
Davenports Brewery
Holt Lloyd International
King & Shaxson
Marshall's Universal
Sandhurst Marketing
Seccombe Marshall & Campion
Tellincourt
Slingsby (H. C.)
Sumner (Francis)
Usher-Walker
Interims:
Lloyds & Scottish
National Bank of Australasia
Transvaal Con. Land & Expl.
Warner Estate
Wood Hall Trust

DIVIDEND & INTEREST PAYMENTS—
American Express 45cts
Cartwright (R.) 2.56051p
Hampshire 9¼pc 1978-79 4⅝pc
Jardine Japan Invst. Trsts 1p
Kinross Mines 18.73647p
Kraft Productions 0.335p
Leslie Gold Mines 7.93471p
St. Helena Gold Mines 70.84561p
Schroders 9.7746p
Southampton Harbour Board 8½pcRd. 1982 3¼pc
Tiger Oats & National Milling 33cts
Waverley Cameron 11p
Winkelhaak Mines 45.34119p

### Friday May 11

COMPANY MEETINGS—
Ault & Wiborg, 71 Standen Rd., SW, 12.00
Finlan (John), Adelphi Hotel, Liverpool, 12.00
Jacobs (John I.), Winchester House, EC, 12.00
Nu-Swift, Viking Hotel, York, 12.00
Sharna Ware, Midland Hotel, Peter St., Manchester, 12.30
Tilling (Thomas), 21 Tothill St., SW, 12.00
United Biscuits, Assembly Rooms, St. George St., Edinburgh, 12.00
Williams & James, Tara Hotel, Upton St. Leonards, Gloucester, 12.00

BOARD MEETINGS—
Finals:
Foster (J.)
Gates (F. G.)
Marlborough Property
Weeks Associates
Interims:
Serck
Vaux Breweries

DIVIDEND & INTEREST PAYMENTS—
Aberdeen Trust Db. 2pc (May)
Beatson, Clark 4.5p
Boddingtons Breweries 1.51p
Brammer (H.) 3.8p
British Empire Securities & General Trust 0.18p
Footwear Industry Invsts. 1.54p
Jourdan (Thomas) 2.2193p
Lake & Elliot 1.928p
Martin (R. P.) 1.5p
Maynards 1.694p
Neepsend 0.92125p
New Central Witwatersrand Areas 7.5cts
Park Place Invsts. 1p
Paterson Zochonis Ord. & A 3.3p
Reliable Properties 1.25p
Royal Worcester 4.734p
Ruberoid 1.7151p
Savoy Hotel A 1.149p (1978) (includes supplementary div. of 0.015 o/a yr. 1977)
Savoy Hotel B 0.5745p (1978) (includes supplementary div. of 0.0075p o/a yr. 1977)
Scholes (George H.) 6p
Transport Development 2.35143p
Unisec 7.254p
Vantona 3.7565p
Williams & James (Engrs.) 2.569p
Yorkshire Chemicals 2.4438183p

### Saturday May 12

DIVIDEND & INTEREST PAYMENT—
Sanro Consolidated Inds. 1.89032p

# AUTHORISED UNIT TRUSTS

**Abbey Unit Tst. Mngrs. (a)**
72-80, Gatehouse Rd., Aylesbury 0296 5941

| | | | | |
|---|---|---|---|---|
| Abbey Gilt Int. Tst. | 111.2 | 117.1 | +0.5 | 3.02 |
| Abbey Capital | 41.5 | 44.5 | | 4.05 |
| Abbey Income | 48.6 | 51.7 | +0.1 | 5.99 |
| Abbey Inv. Tst. Fd. | 42.1 | 44.8 | +0.4 | 4.39 |
| Abbey Gen. Tst. | 56.8 | 60.4 | −0.1 | 3.86 |
| Equitas Prog. Tst. | 75.7 | 79.9xd | −0.1 | 4.24 |

**Allen Harvey & Ross Unit Tst. Mngrs.**
45, Cornhill, London EC3V 3PB. 01-623 6314.

| | | | | |
|---|---|---|---|---|
| AHR Gilt & Pref. | 99.7 | 104.9 | ... | 12.22 |

**Allied Hambro Group (a) (g)**
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

| | | | | |
|---|---|---|---|---|
| **Balanced Funds** | | | | |
| Allied 1st. | 82.2 | 88.0 | +0.2 | 4.73 |
| Brit. Inds. Fund | 80.4 | 86.0 | +0.3 | 4.65 |
| Grth. & Inc. | 45.9 | 49.1 | +0.2 | 4.40 |
| Elect. & Ind. Dev. | 42.9 | 45.9xd | +0.2 | 4.05 |
| Allied Capital | 86.2 | 92.2xd | +0.5 | 3.93 |
| Hambro Fund | 132.7 | 142.0 | +0.4 | 4.56 |
| Hambro Acc. Fd. | 153.1 | 163.8 | | 4.00 |
| **Income Funds** | | | | |
| High Yield Fd. | 83.4 | 89.3 | +0.9 | 7.46 |
| High Income | 77.8 | 83.2 | +0.3 | 6.34 |
| A. H. Eq. Inc. | 46.3 | 49.5 | +0.1 | 6.46 |
| **International Funds** | | | | |
| International | 26.0 | 27.8 | −0.1 | 2.89 |
| Pacific Fund | 38.9 | 41.6 | | 2.14 |
| Secs. Of America | 55.4 | 59.3 | −0.1 | 1.94 |
| **Specialist Funds** | | | | |
| Smaller Co.'s Fd. | 49.7 | 53.2 | +0.5 | 3.57 |
| 2nd Smlr. Co's Fd. | 61.4 | 65.7 | +0.7 | 3.61 |
| Recovery Sits. | 120.3 | 128.7xd | +1.0 | 4.27 |
| Met. Min. & C'dty. | 49.2 | 52.6xd | +0.1 | 4.35 |
| Overseas Earnings | 69.5 | 74.4 | +0.3 | 3.90 |
| **Exempt Funds** | | | | |
| Far East Exempt | 44.5 | 46.3xd | −0.5 | 3.05 |
| Smaller Co. Exempt | 78.1 | 82.0xd | +0.9 | 3.96 |

**Friends' Provdt. Unit Tst. Mgrs.**
Pixham End, Dorking. 0306 5055

**Funds in Court**
Public Trustee, Kingsway, WC2. 01-405 4300
*Unauth. Restricted to monies under court control.

**G.T. Unit Managers Ltd.**
16 Finsbury Circus, EC2M 7DD

**G. & A. Trust (a) (g)**
5 Rayleigh Road, Brentwood. (0277) 227300

**Gartmore Fund Managers (a)(g)**
2 St. Mary Axe, EC3A 8BP. 01-283 3531

# INSURANCE AND PROPERTY BONDS

# OFFSHORE AND OVERSEAS FUNDS

**J.E.T. Managers (Jersey) Ltd.**
P.O. Box 98, Channel House, Jersey. 0534 73673

| | | | | |
|---|---|---|---|---|
| Jersey Extrnl. Tst. | 162.0 | 172.0 | ..... | — |

As at March 30. Next sub. day April 30.

**Jardine Fleming & Co. Ltd.**
46th Floor, Connaught Centre, Hong Kong

| | | | |
|---|---|---|---|
| Jardine Estn. Tst. | HK$318.08 | ... | 2.40 |
| Jardine J'pn.Fd.* | HK$402.45 | ... | 0.90 |
| Jardine S.E.A. | US$16.99 | ... | 2.10 |
| Jardine Flem.Int. | HK$12.89 | ... | 0.70 |
| Intl.Pac.Secs.(Inc.) | HK$13.54 | ... | 1.50 |
| Do. (Accum.) | HK$13.73 | ... | — |

NAV April 14. *Equivalent US$81.88. Next sub. day April 30.

**Warburg Invest. Mngt. Jrsy. Ltd.**
1, Charing Cross, St. Helier, Jsy. C1 0534 73741

| | | | | |
|---|---|---|---|---|
| CMF Ltd. April 26 | US$13.76 | 14.11 | ..... | 2.90 |
| CMT Ltd. April 26 | £14.08 | 14.45 | ... | 2.80 |
| Metals Tst. April 19 | £15.53 | 15.91 | ..... | 5.46 |
| TMT April 12 | $US10.98 | 11.27 | ..... | 2.84 |
| T.M.T. Ltd. April 12 | £11.07 | 11.36 | ..... | 1.06 |

**World Wide Growth Management**
10a, Boulevard Royal, Luxembourg

| | | | |
|---|---|---|---|
| Worldwide Gth Fd | US$17.14 | +0.01 | — |

**Wren Commodity Trust**
10 St. George's St., Douglas IoM 0624 25015

| | | | | |
|---|---|---|---|---|
| Wren Commod. Tst. | 30.6 | 30.9 | ..... | — |

## NOTES

Prices do not include $ premium, except where indicated ɸ, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ɸ. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

# FT SHARE INFORMATION SERVICE

## BRITISH FUNDS

### "Shorts" (Lives up to Five Years)

| Interest Due | | Stock | Price £ | Last xd | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 17M | 17S | Treasury 3pc '79‡‡ | 97¾ | 8.2 | 3.06 | 9.37 |
| 26M | 26S | Electric 4¼pc '74-79 | 98⅛ | 19.2 | 4.33 | 9.19 |
| 1M | 1N | Treasury 10½pc '79‡‡ | 100 | 26.3 | 10.50 | 10.39 |
| 15M | 15N | Electric 3½pc '76-79 | 97xd | 9.4 | 3.61 | 9.49 |
| 3M | 3S | Treasury 9pc 1980‡‡ | 99¼ | 25.1 | 9.08 | 10.12 |
| 14N | 14M | Treasury 9½pc '80‡‡ | 99½xd | 9.4 | 9.58 | 10.41 |
| 15O | 15J | Treasury 3½pc '77-80 | 95¼ | 8.11 | 3.67 | 8.07 |
| 15D | 15J | Funding 5¼pc '78-80‡‡ | 95¾ | 8.11 | 5.48 | 9.37 |
| 25M | 25N | Exchequer 13pc 1980‡‡ | 103⅜xd | 18.4 | 12.58 | 10.57 |
| 15J | 15Ja | Treasury 11½pc 1981‡‡ | 101½ | 17.12 | 11.33 | 10.47 |
| 15F | 15A | Treasury 3¼pc 1979-81 | 93¼ | 9.1 | 3.75 | 7.62 |
| 1O | 1A | Treasury 9¾pc 1981‡‡ | 99¼ | 23.3 | 9.82 | 10.15 |
| 12D | 12J | Exch. 8¼pc 1981 | 96⅛ | 6.11 | 8.58 | 10.34 |
| 4F | 4A | Exch. 9½pc 1981 | 98¼ | 29.12 | 9.67 | 10.38 |
| 21F | 21A | Exch. 3pc 1981 | 90⅝ | 15.1 | 3.31 | 7.66 |
| 17M | 17N | Treas. Variable '81§§ | 98¼xd | 10.4 | 12.20 | 12.62 |
| 23M | 23N | Exch. 12¾pc 1981‡‡ | 104⅝xd | 17.4 | 12.18 | 10.62 |
| 15J | 15Ja | Treas. 8½pc '80-82‡‡ | 96¼ | 11.12 | 8.83 | 10.10 |
| 15A | 15F | Treasury 3pc '82‡‡ | 88¼ | 9.1 | 3.39 | 7.78 |
| 16S | 16M | Treasury 14pc '82‡‡ | 107⅞ | 7.2 | 12.97 | 10.68 |
| 15D | 15J | Treas. Variable '82§§ | 96⅞ | 8.11 | 12.19 | 13.09 |
| 5J | 5Ju | Treasury 8¼pc '82 | 95¼ | 1.12 | 8.66 | 10.04 |
| 22M | 22S | Exch. 9¼pc 1982 | 97 | 13.2 | 9.53 | 10.38 |
| 5Ju | 5J | Exch. 8¾pc 1983 | 95¾ | 1.12 | 9.13 | 10.15 |
| 21A | 21F | Exch 3pc '83 | 85¼ | 15.1 | 3.51 | 7.54 |
| 17S | 17M | Treasury 12pc 1983‡‡ | 104¼ | 8.2 | 11.51 | 10.60 |
| 17S | 17M | Treas. 12pc '83 A‡‡ | 103⅞ | — | 11.55 | 10.71 |
| — | | Treas. Variable '83 §§ | 94¾xd | 17.4 | 13.05 | 13.52 |

### Five to Fifteen Years

### Over Fifteen Years

### Undated

## INTERNATIONAL BANK

## CORPORATION LOANS

## COMMONWEALTH & AFRICAN LOANS

## LOANS

### Public Board and Ind.

### Financial

| | | | | | |
|---|---|---|---|---|---|
| 1J | 1J | Do. 10½pc Uns.Ln. '86 | 99 | 11.12 | 11.00 | 11.50 |
| 1J | 1J | Do. 11pc Uns.Ln. '88 | 99 | 11.12 | 11.55 | 11.80 |
| 1J | 1J | Do. 11¾pc Uns.Ln. '90 | 101 | 11.12 | 12.13 | 12.30 |
| 30 Je | 31 D | Do. 7¼pcADeb. '89-92 | 72½ | 27.11 | 10.48 | 11.90 |
| 31Mr | 30S | Do. 7¼pcA Db. '91-94 | 69 | 12.2 | 10.68 | 11.90 |
| 31Mr | 30S | Do. 9pc'A' '91-94 | 81½ | 12.2 | 11.23 | 11.80 |
| 28F | 31A | Do. 8¾pcLn. '92-97 | 78½ | 29.1 | 11.65 | 11.60 |

## FOREIGN BONDS & RAILS

| Interest Due | | Stock | Price £ | Last xd | Div % Gross | Red. Yield |
|---|---|---|---|---|---|---|
| — | | Antofagasta Rly. | 22 | 87/1 | — | — |
| 1J | 1J | Do. 5pc Pref. | 40 | 13.11 | — | — |
| 1J | 1J | Chilean Mixed | 98 | 2.10 | — | 13.10 |

## BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

## AMERICANS

S.E. List Premium 24% (based on US$2.0746 per £) Conversion factor 0.8067 (0.7886)

## CANADIANS

S.E. List Premium 24% (based on $2.3826 per £)

## BANKS AND HIRE PURCHASE

| Dividends Paid | | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| | May | Cred. France F75 | £20½ | 57/7 | Q9.87% | — | 3.1 | — |
| Jan. | Apr. | Dawes (G. R.) | 14 | 18.10 | — | — | — | — |
| — | | Deutsche Bank DM50 | £88 | — | Q18% | — | 2.8 | — |
| — | | F. C. Finance | 75xd | 23.4 | 2.2 | ♦ | 4.4 | ♦ |
| — | | First Nat. 10p | 8¾ | 97/4 | — | — | — | 0.6 |
| — | | Do. Wrrts. 75-83 | 3½ | — | — | — | — | — |
| — | | Fraser Ans. 10p | 16¾ | 87/8 | — | — | — | — |
| June | Dec. | Gerrard Natnl. | 252 | 30.10 | 9.12 | — | 5.5 | — |
| May | Nov. | Gibbs (A.) | 47 | 2.10 | 2.2 | — | 7.2 | — |
| Mar. | Aug. | Gillett Bros. £1 | 268 | 26.2 | 16.95 | — | 9.4 | — |
| | June | Goode D't Mry.5p | 27 | 12.3 | 0.25 | — | 1.4 | — |
| Nov. | April | Grindlays | 149 | 12.3 | 3.07 | 7.5 | 3.1 | 4.6 |
| April | Oct. | Guinness Peat | 113 | 12.2 | H5.67 | — | 7.5 | — |
| Dec. | July | Hambros | 313 | 27.11 | †9.76 | — | 4.6 | — |
| Dec. | July | Hill Samuel | 120 | 13.11 | †4.97 | — | 6.2 | — |
| — | | Do. Warrants | 525 | — | — | — | — | — |

## BANKS & HP—Continued

### Hire Purchase, etc.

## BEERS, WINES AND SPIRITS

## BUILDING INDUSTRY, TIMBER AND ROADS

## CHEMICALS, PLASTICS

## CHEMICALS, PLASTICS—Cont.

## DRAPERY AND STORES

## ELECTRICAL AND RADIO

## ENGINEERING MACHINE TOOLS

## ENGINEERING—Continued

## FOOD, GROCERIES, ETC.

## FOOD, GROCERIES—Cont.

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)


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[illegible]

## INSURANCE—Continued

[illegible]

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[illegible]

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

[illegible]

### Commercial Vehicles

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## INSURANCE

[illegible]

## PROPERTY—Continued

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## SHIPPING

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRUSTS, FINANCE, LAND

### Investment Trusts

[illegible]

## INVESTMENT TRUSTS—Cont.

[illegible]

### Finance, Land, etc.

[illegible]

## FINANCE, LAND—Continued

[illegible]

## OILS

[illegible]

## OVERSEAS TRADERS

[illegible]

## RUBBERS AND SISALS

[illegible]

## TEAS

### India and Bangladesh

[illegible]

### Sri Lanka

[illegible]

### Africa

[illegible]

## MINES

### CENTRAL RAND

[illegible]

### EASTERN RAND

[illegible]

### FAR WEST RAND

[illegible]

### O.F.S.

[illegible]

### FINANCE

[illegible]

### DIAMOND AND PLATINUM

[illegible]

### CENTRAL AFRICAN

[illegible]



## MINES—Continued

### AUSTRALIAN

| Dividends Paid | | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| — | | Acmex | 9 | — | — | — | — |
| Nov. | Apr. | Bougainville 50 Toea | 138 | 14.3 | Q15c | 1.0 | 6.7 |
| — | | BH South 50c | 93 | 974 | — | — | — |
| — | | Central Pacific | 525 | — | — | — | — |

[illegible]

### TINS

[illegible]

### COPPER

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| June | Dec. | Messina R0.50 | 105 | [12.12] | — | — | — |

### MISCELLANEOUS

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| — | | Barymin | 62 | — | — | — | — |
| — | | Burma Mines 17½p | 10½ | 575 | — | — | — |
| Aug. | Feb. | Cons. Murch. 10c. | 245 | 3.1 | — | — | — |
| November | | Northgate C$1 | 365 | 30.9 | — | — | — |
| Jan. | July | R.T.Z. | 362 | 30.10 | 11.5 | 2.7 | 4.8 |
| | — | Robert Mines | 28 | — | — | — | — |
| — | | Sabina Inds. C$1. | 40 | — | — | — | — |
| — | | Tara Exptn. $1 | 712 | — | — | — | — |

### GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Feb. | Aug. | Buffels R1 | $13¾ | 2.1 | Q190c | ϕ | 15.9 |
| Aug. | Feb. | East Drie R1 | $11½ | 2.1 | Q115c | 1.6 | 11.5 |
| Aug. | Feb. | East Rand Prp. R1 | 470c | 2.1 | Q10c | — | 2.5 |
| June | Dec. | F.S. Geduld 50c | $23⅝ | 30.10 | †Q315c | 2.4 | 15.4 |
| June | Dec. | Pres. Brand 50c | $14½ | 30.10 | †Q150c | 3.2 | 12.1 |
| May | Nov. | St. Helena R1 | $13¾ | 26.3 | Q190c | 1.4 | 16.5 |
| Aug. | Feb. | Stilfontein 50c | 595c | 2.1 | Q66c | ϕ | 12.8 |
| Aug. | Feb. | Vaal Reefs 50c | $25½ | 29.1 | Q280c | 2.7 | 12.6 |
| Feb. | Aug. | West Drie R1 | $36¾ | 2.1 | †Q385c | 1.7 | 12.2 |
| June | Dec. | West Hldgs. 50c | $30⅝ | 2.5 | †Q415c | 1.4 | 16.0 |
| Feb. | Aug. | Western Deep R2 | $12⅛ | 29.1 | Q147½c | 2.1 | 13.6 |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ♯ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- Ⅱ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 31

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

## REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

| | | | | | |
|---|---|---|---|---|---|
| Albany Inv. 20p | 29 | ..... | Sheff. Refrshmt. | 85 | ..... |
| Ash Spinning | 105 | ..... | Sindall (Wm.) | 142 | ..... |

[illegible]

## OPTIONS

### 3-month Call Rates

[illegible]

FINANCIAL TIMES

Tuesday May 8 1979



# New saloon planned in BL-Honda link

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BL CARS' negotiations with Honda of Japan to produce a new car in the UK for sale in Europe are going well.

A small saloon is scheduled for assembly at Canley, Coventry, in about two years. It will be an up-market medium-sized car like the present Dolomite.

Any deal with Honda is unlikely to extend to the volume car replacement for the Marina and Allegro planned for Cowley, Oxford. BL is pressing ahead with plans to produce its own middle-sized car, code-named the LC 10, but this will not be ready for launch until 1983.

BL believes the link with Honda will not prejudice co-operation with other manufacturers in Japan or in Europe on future new model projects.

The company has made clear that, given the constraints upon engineering and cash resources, it is prepared to consider co-operation across its range of models on components such as engines, gearboxes and transmission systems. Some executives see the proposed Honda link as the pattern for other deals.

The aspect of the Honda link that could concern the European Economic Community is the possibility that the car might be sold on the Continent through the BL dealer network.

It seems inevitable that, at least in the early stages, BL will be providing mainly an assembly operation at Canley. Some of the presswork is planned for Speke, Liverpool, and the UK content will be steadily increased. BL is likely to assure UK component suppliers that the project will offer them opportunities.

The new car would fall into the same market as the Dolomite now produced at Canley, but will not be a straight replacement. Whether the ageing Dolomite, a profitable model, will be completely phased out or produced in more limited numbers has still to be decided.

Introduction of the car at Canley would give greater security of employment to the 9,000 workers who produce the TR 7, Spitfire, and Dolomite models, and engines for Triumphs and Rover.

The new model would help strengthen BL's middle range but is likely to be too specialist for fleet requirements. BL's weakness in the volume market for medium-sized cars will remain until the LC 10 launch in 1983. In the meantime, the company must rely on facelifts on existing models.

Hopes that BL will re-establish its position in the small car market rests upon the launch of "the Mighty Mini" scheduled towards the end of next year.

**Quentin Peel writes from Cape Town:** The proposed R100m (£58.8m) merger of Leyland South Africa, BL's wholly owned South African subsidiary, and the Sigma Motor Corporation, the motor manufacturing arm of the giant Anglo American mining group, has collapsed, itw as announced yesterday.

The sudden end to the deal, which would have enabled Leyland to run down its loss-making car manufacturing to concentrate on more profitable commercial vehicles, was accompanied by a welter of bitter recrimination.

While Leyland refused to get drawn into "a slanging match," and blamed the failure on "many obstacles," the British motor giant was accused by its intended South African partner of a "mad" decision, which would cost the corporations "tens of millions of Rand."

The collapse of the merger means that Leyland must now reunite its pasesnger car and commercial vehicle divisions, and revive a national dealer network which had been almost entirely absorbed into the Sigma group. The two companies will have to negotiate a separate deal for the manufacture of Sigma trucks and commercial vehicles already being produced at Leyland plants.

Sigma, 75 per cent owned by Anglo American, and 25 per cent by Chrysler, produces Mazda, Mitsubishi, Chrysler, Mack, Peugeot and Citroen vehicles.

# Esso to spend bulk of £370m a year on North Sea work

BY KEVIN DONE, ENERGY CORRESPONDENT

ESSO PETROLEUM, the UK subsidiary of Exxon, is planning capital expenditure of more than £370m a year for the next three years, with the bulk of the investment going to the North Sea.

Esso has spent about £1.3bn so far in offshore oil and gas exploration and development on the UK Continental Shelf, and this is expected to increase to at least £2.5bn by the mid-1980.

If other recent discoveries are developed, such as the oil field found last year with the British National Oil Corporation and Shell in the central North Sea block 30/17B, Esso's commitment to offshore projects in the UK could rise to £3bn.

An investment of about 1.2bn is required to complete field developments such as Brent, Cormorant and Fulmar.

Esso is, however, disatisfied with its financial performance in the UK. Dr. Austin Pearce, chairman says: "The level of profitability is inadequate for a company which wants to continue to supply its customers in the UK on a long-term basis.

"Taken in isolation, the results of the year cannot justify the present investment level, and if the declining trend of profitability which started in 1975 continues, then future investment must be in doubt and there must eventually be a reduction in investment levels."

Last year, Esso Petroleum made a pre-tax profit of £43.2m compared with £84.5m in 1977. The return on capital (net profit to average total assets) was 2 per cent against 8.1 per cent in 1977. Turnover last year was £2.275bn (£2.236bn).

Of total capital expenditure last year of £368.6m, £331.6m was spent on North Sea exploration and production.

● The 17,000 tonnes steel platform jacket for Texaco's Tartan field was floated out at the weekend from the Cherbourg construction yard of Union Industrielle et d'Entreprise. The jacket will be towed later this month to the North Sea for installation about 117 miles north-east of Aberdeen.

The £250m Tartan field, one of the smaller North Sea finds with recoverable reserves of about 250m barrels of crude oil, should start production next year. Output will reach a peak of about 65,000 barrels a day.

The platform jacket was built by the partnership of UIE and the Scottish yard of Redpath de Groot Caledonian. These two companies recently secured the order to build the steel jacket for Shell/Esso's North Cormorant field.

● Phillips Petroleum of the U.S. has signed a memorandum of intent with the China National Oil and Gas Exploration and Development Corporation to carry out a geophysical reconnaissance survey on the China coast. Several other Western oil companies have been engaged in recent months to do similar preliminary exploration work.

THE LEX COLUMN

# Stock markets in a new climate

As the Conservative Government settles down to inspect "the books" it is a good moment to try to put the stock market's recent buoyancy into a longer term perspective. For all the talk of new peaks, it is important to remember that at 283.8 the All-Share Index is standing at only about half the high point in real terms touched in 1968 and again in 1972. As for gilt-edged, the FT Government Securities Index remains 5 per cent below the September 1977 peak, and yields still approach 12 per cent at the long end of the list.

## Tory challenge

Can this change under the Tories? There are two ways of looking at the likely course of stock markets. One is to assess the fundamentals—earnings per share, yields, inflation and so on. Another is to analyse the supply of and demand for securities.

History shows that the supply/demand balance is often the much more powerful factor, driving the stock market to excessively high levels in the late 1960s, and to excessively low levels in 1974. A great deal currently depends on the weight of money argument, for right now the fundamentals are none too brilliant.

Profits growth has been slackening, especially in manufacturing industry (though the trends are better in many service and distributive trades). Sterling's strength continues to be embarrassing: according to an analysis published today by the London Business School, it would take a drop of around 15 per cent in sterling to restore British competitiveness to the long-term trend level. Yet further sterling strength is on the cards if OPEC decides to raise oil prices higher still.

Despite the firmness of the currency, inflation seems likely to accelerate—partly because of the new Government's coming switch to indirect taxation, but also because of cost pressures in industry. Depending on the tax assumptions, a year-on-year inflation rate of 12 per cent seems possible by the autumn. A tricky first Budget lies ahead for Sir Geoffrey Howe, grappling to cut down a PSBR which may start from a base level of over £10bn after the Rooker-Wise adjustments and an allowance for comparability awards in the public sector. He is likely to have to resort to one-off devices—such as asset sales—in order to get the PSBR below the £8.5bn promised by Mr. Healey. Meanwhile the immediate outlook for short-term money rates is unexciting.

The strength of institutional cash flow—up a massive 30 per cent for insurance companies and pension funds in 1978—gives cause for greater optimism, however. Under a Labour Government the buoyancy of institutional revenues has been largely negated in that it has encouraged the Government to run correspondingly large deficits, on the theory that excessive savings would lead to a slump. For three years in a row the Labour Government sold over £5bn a year of gilt-edged to the non-bank private sector. In the whole five-year period to the end of 1978 the total take-up of debt by the non-bank private sector was £29.3bn (excluding notes and coin).

## Private investors

Not only have institutional funds been diverted away from the equity market by gilt-edged offerings, but private investors have also been important net sellers of shares—to the tune of £1.75bn last year. If there is to be a major surge in share prices it will be because institutional investors are forced to chase the market up against the competition of private investors who, in a new political climate, may came to believe that the stock market is once again a place to make money.

There is a degree of contradiction here, however. The institutional cash flows are so strong precisely *because* private individuals are channelling their savings through the big funds. If the Tories encourage a major shift in the recent pattern of savings flows, the consequences would be complex.

## Savings ratio

What, for instance, might happen to the high savings ratio which has been a phenomenon of the Labour regime? If the ratio fell from 14 per cent to nearer the 10 per cent it was in the early 1970s, that would represent a drop in savings in money terms of £5bn a year.

But the stock market will have to rise quite a long way before it is threatened by such hypothetical dangers as a cutback in contribution rates by over-funded pension schemes, or a flood of new issues of shares or corporate bonds.

The stock market is right to be taking a positive line on the impact of Conservative policies: there is clear scope for bringing down long-term interest rates, in particular. Although the 1979-80 Budget arithmetic may be difficult, the City could well be in a frame of mind to accepte longer-term promises from the new Chancellor in place of immediate delivery of big cuts in the PSBR or monetary growth.

What is less clear is whether the Conservatives have any effective answer to the continuing problems of British industry. In 1970-74 it proved much easier to stimulate a stock market boom than to generate the genuine industrial revival that might have sustained it.

# Nickel strike terms agreed

BY JOHN EDWARDS, COMMODITIES EDITOR

THE EIGHT-MONTH strike at International Nickel's Sudbury mine complex in Canada has been settled, it was announced yesterday.

The company said terms of a three-year labour contract had been agreed by a negotiating committee with union representatives, who were recommending acceptance to their members.

It is expected that the 4,700 workers will vote in favour, and return to work within a week. In that case full production could be restored by the end of the month.

The Sudbury complex normally produces some 70 per cent of the company's nickel output, as well as virtually all its copper, platinum and cobalt.

The strike, which started in September and lasted much longer than expected, has sharply reduced surplus stocks held by International Nickel, the world's biggest single nickel producer.

As a result, prices have risen sharply this year to reflect the changed supply situation. The company said yesterday that it was still studying the latest producer price rise announced by the Le Nickel group last week.

But it seems very likely that higher prices will be needed to pay for the cost of the Sudbury settlement, even though the company described it as "reasonable."

However, free market prices are likely to fall as the prospect of a shortage of supplies recedes.

So far the company has drawn on surplus stocks to meet its supply commitments. But shortages of some grades had already developed, and rationing might have been needed if the strike continued much longer.

Copper values are also likely to come under pressure since International Nickel is Canada's second bigest exporter of copper, and has not been able to meet its delivery commitments for many months.

# Trade Department queries clearing banks' accounts

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

THE DEPARTMENT of Trade is seeking a meeting with the big London clearing banks to discuss suggestions that th banks' accounts do not comply with the Companies Acts.

Trade officials are said to take a serious view of claims by some chartered accountants that the banks' general bad debt provisions are in reality reserves, and part of shareholders' funds.

The banks say that the general provisions are necessary to cover potential bad debts not yet identified. They are in addition to specific bad debt provisions made against advances whose recovery is doubtful.

The banks are justified in making the provisions only if the amounts set aside as a deduction from profit are in respect of liabilities or losses known to exist at the balance-sheet date.

The Trade Department is using last year's Price Commission report on bank charges, which recommended disclosure of the general provisions, as the pretext for the meeting with the clearers.

Despite the Price Commission recommendation, the clearing banks refused to reveal the levels of the general provisions in their 1978 accounts. Instead, they disclosed an aggregate figure for both the specific and general provisions.

Extra disclosures in the banks' 1978 accounts result from the work of a special group, known as the Disclosure Working Party, which was established last year to bring about improvements in clearing bank accounts.

The working party, which consists of a mixture of bankers and accountants from the clearers, is still in existence. It recently held a post-mortem on the banks' 1978 accounts.

Britain is not the only country where bank accounting policies are coming under criticism. Last week, the Commission des Opérations de Bourse, the French securities commission, said that it had been forced to intervene to make French bank accounts less difficult to interpret.

# UK-Nigeria tax hopes fail

BY DAVID FREUD

HOPES of a rapid renegotiation of the double tax agreement between the UK and Nigeria appears to have been disappointed.

This means an indefinite period in which no double tax agreement will be operating between the two countries, which are major trading partners. Last year Nigeria was the UK's ninth largest export market and the biggest outside the U.S. and Europe.

Last summer Nigeria announced it was revoking all its nine tax agreements from April 1 this year. From that date there are no arrangements to prevent companies being taxed by two countries on the same set of profits.

At the beginning of the year the Inland Revenue was confident that a new treaty would be rapidly agreed. It said, after an initial meeting between tax officials, that "substantial progress' had bene made.

However, a second set of talks aimed at reaching a final settlement, held after Easter in Lagos, was broken off with various issues unresolved.

No date has been fixed for a resumption of negotiations, and British officials may be inclined to wait until Nigeria elects a civilian government to take over from the military one in October.

The issues over which the talks broke down have not been disclosed, but it is likely that one of them could have been the new withholding tax on company profits introduced by Nigeria in last month's Budget.

While the talks have been in progress the Nigerians have not applied to Brtish concerns the 10 per cent levy which came into force last month on all cash remittances by foreign airlines and shipping companies.

It is felt that Nigeria is unlikely to impose the levy—which would affect companies such as British Caledonian in particular—unless the talks break down completely.

The other countries whose tax agreements with Nigeria were revoked are: the U.S., Ghana, Sierra Leone, Gambia, New Zealand, Sweden, Denmark and Norway.

## Weather

UK TODAY

MAINLY dry with bright sunny spells in the south, but cloudy with occasional rain in the north.

**S., S.E., S.W. England and Channel Isles**

Mainly dry with bright spells. Max. 14C (57F).

**E. Midlands, Cent. N., N.W. England, Wales**

Mostly cloudy with rain in places. Max. 11C (52F).

**Lakes, Isle of Man**

Some bright intervals. Occasional wintry heavy showers. Max. 8C (46F).

**Borders, S., Central Highlands, N.W. Scotland, N. Ireland**

Sunny intervals, wintry heavy showers in places. Max. 8C (46F).

**Aberdeen, N.E. Scotland, Orkney, Shetland**

Mostly cloudy. Occasional showers. Max. 5C (41F).

**Outlook:** Rather cloudy in the south with some rain later. Brighter further north but night frost.

WORLDWIDE

| | | Y'day midday °C | °F | | | Y'day midday °C | °F |
|---|---|---|---|---|---|---|---|
| Ajaccio | S | 17 | 63 | L. Plms. | F | 20 | 68 |
| Algiers | F | 18 | 64 | Lisbon | C | 16 | 61 |
| Amsdm. | C | 11 | 52 | Locarno | F | 15 | 59 |
| Athens | C | 21 | 70 | London | S | 13 | 55 |
| Bahrain | S | 28 | 82 | Luxmbg. | S | 10 | 50 |
| Barclna. | C | 15 | 59 | Madrid | C | 18 | 64 |
| Beirut | S | 22 | 72 | Majorca | C | 16 | 61 |
| Belfast | C | 9 | 48 | Malaga | C | 13 | 55 |
| Belgrd. | R | 9 | 48 | M'chstr | R | 8 | 46 |
| Berlin | C | 7 | 45 | Melbne. | C | 11 | 52 |
| Biarritz | C | 16 | 61 | Milan | S | 17 | 63 |
| Bmghm. | R | 10 | 50 | Mntreal. | S | 13 | 56 |
| Blackpl. | R | 9 | 48 | Moscow | F | 14 | 57 |
| Bordx. | S | 14 | 57 | Munich | S | 10 | 50 |
| Bristol | C | 13 | 55 | Nairobi | R | 23 | 74 |
| Brussels | S | 12 | 54 | Naples | C | 13 | 55 |
| Budpst. | C | 14 | 57 | Nwcstl. | C | 7 | 45 |
| B. Aires | S | 18 | 65 | N. York | F | 18 | 65 |
| Cardiff | C | 11 | 52 | Nice | S | 18 | 64 |
| Cas'b'ca | C | 18 | 64 | Oporto | F | 15 | 59 |
| Cape T. | S | 16 | 61 | Oslo | S | 9 | 48 |
| Chicago | S | 17 | 63 | Paris | S | 13 | 55 |
| Cologne | S | 12 | 54 | Prague | S | 10 | 50 |
| Cpnhgn. | C | 8 | 46 | Reykjvk. | S | 1 | 34 |
| Corfu | F | 23 | 73 | Rhodes | C | 23 | 73 |
| Dublin | R | 8 | 46 | Rio J'o | S | 29 | 84 |
| Dbrvnk. | C | 14 | 57 | Rome | F | 19 | 66 |
| Ednbgh. | C | 10 | 50 | Salzbrg. | F | 12 | 54 |
| Faro | C | 20 | 68 | Singapr. | S | 31 | 87 |
| Florence | S | 30 | 68 | Stckhm. | C | 11 | 52 |
| Frankft. | S | 12 | 54 | Strasbg. | S | 14 | 57 |
| Funchal | F | 18 | 64 | Sydney | R | 15 | 59 |
| Geneva | S | 12 | 54 | Tangier | C | 21 | 70 |
| Gibrltr. | F | 12 | 54 | Tehran | C | 20 | 68 |
| Glasgow | R | 9 | 48 | Tenerife | F | 15 | 59 |
| G'nsey | C | 9 | 48 | Tokyo | C | 20 | 68 |
| Helsinki | R | 4 | 39 | Toronto | S | 11 | 52 |
| H. Kong | S | 26 | 78 | Tunis | C | 17 | 63 |
| Innsbrk. | F | 12 | 54 | Valencia | C | 18 | 64 |
| Invrnss. | F | 7 | 45 | Venice | S | 18 | 64 |
| Jersey | C | 9 | 48 | Vienna | S | 12 | 54 |
| Jo'burg | S | 22 | 72 | Warsaw | F | 11 | 52 |
| | | | | Zurich | S | 11 | 52 |

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

# Corporation tax yields 20% more

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

MAINSTREAM corporation tax payments were £2.5bn in the financial year just ended, a rise of nearly a fifth over the total for 1977-78.

This is the first time the Government has disclosed an up-to-date figure for the direct tax on undistributed company profits.

The figures are published by the Central Statistical Office in the latest issue of Financial Statistics.

Until now figures have regularly been given for total corporation tax payments, but there has been no split between the mainstream element of profits tax and advanced corporation tax. The latter is a withholding tax on dividends which shareholders can credit against their individual income tax liabilities.

There has been considerable controversy about the amount of tax paid by companies. The new figures will provide a more detailed indication of the underlying position.

However, there is still no breakdown between industry and the financial and commercial sector. Some analysts believe that the latter pays the bulk of mainstream tax since industry benefits from capital allowances.

Mainstream tax payments have risen sharply over the past year in line with the recovery in profits.

CORPORATION TAX (£m)

| | Total | Advanced Corporation Tax | Mainstream |
|---|---|---|---|
| 1973-74 | 2,262.4 | 428.7 | 1,833.7 |
| 1974-75 | 2,858.7 | 1,157.8 | 1,700.9 |
| 1975-76 | 1,995.6 | 917.1 | 1,078.5 |
| 1976-77 | 2,655.0 | 1,059.7 | 1,595.3 |
| 1977-78 | 3,342.5 | 1,253.0 | 2,089.5 |
| 1978-79 | 3,930.0 | 1,425.0 | 2,505.0 |

Source: Board of Inland Revenue, Financial Statistics

However they have fallen as a proportion of total Inland Revenue receipts from 17¼ to 10¼ per cent since 1973-74.

This reflects not only the squeeze on profits in the mid-1970s but the big relief given to companies in 1974 to offset the increase in value of stocks of goods, raw materials and work in progress.

There will be close interest to se whether corporation tax payments in the coming year are adversely affected by the growth in leasing activity among industrial companies in the last 12-to-18 months. One of the main aims of the expansion of leasing has been to reduce tax liabilities.

The latest figures also show that development land tax receipts in the 1978-79 financial year were only £13m.

Capital transfer tax receipts were £322m in 1979-80, 1978-79, while initial payments of petroleum revenue tax amounted to £183m.

# Cummins in £106m diesel engine boost

BY HAZEL DUFFY IN COLUMBUS, INDIANA

THE BRITISH plants of the Cummins diesel engine group will share in a $220m (£106m) investment programme which will put the company's new 10 litre diesel engine on the European and American markets in the early 1980s.

Cummins had hoped to come to an agreement with BL which would have resulted in joint production of the engine for the European market, giving Cummins a guaranteed outlet for part of its output. But the talks have been inconclusive.

A senior vice-president of Cummins, Mr. Hal Davis, said this week it is still hoped that the company will come to an arrangement with a major European original equipment manufacturer.

Production of the new engines, starting early in 1982, will be split between the company's plants in the U.S. and Shotts in Scotland. Initial output should be 150 engines a day, which will be stepped up to 300 by the mid-1980s. Some components will also be manufactured in Britain, including the fuel pump systems at the company's Darlington plant.



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